US bond

No.30,906

World News

Jaruzelski

resign as

expected to

Party leader

UK insurance company to pay £99m for **Italian** group

General Wojciech Jaruzelski, Poland's newly elected presi-dent is expected to offer his resignation as Communist Royal Insurance, British Party leader at an important two day meeting of the Central Committee. Jaruzelski wants to shed his party role and project a new non-sectarian image UNITED Auto Workers, US

DC-10 crash A South Korean DC-10 airliner crashed at fog-bound Tripoli

LDP may abolish tax

Japan's troubled ruling Liberal

Democratic Party, which was beavily defeated in recent

national elections, suggested the party might abolish a con-troversial consumption tax.

Cambodians agree

Cambodia's rival leaders have

ing plan which will allow them

tional conference on the future of their country. Page 4

steadfastly protested his inno-cence has been convicted of murdering Swedish prime min-

ister Olof Palme despite votes

Khashoggi released

Khashoggi was released from

a US jail on \$10m bail despite

court appeals to detain him

UK-Argentine links

Positive signals from indirect

liplomatic contacts between

Argentina and Britain bave

raised the firm prospect of a

meeting between representa-

tives of the two countries.

Shamir criticised

supporters but other politi-

step towards peace.

Mayor arrested

Hardline rivals of Israeli Prime Minister Yitzhak Shamir

sailed him for meeting PLO

The mayor of Atlantic City, America's east coast gambling centre, was arrested along with

12 other people in what offi-cials called "a wide-ranging

investigation into corruption

Fitippino rebel taken

Ocampo and his wife in a Manila ambush that politicians said was a major setback to

Greenpeace protest

Two Greenpeace ships set sail

missile from a submerged sub-

Madagascan broadcasters are

armed with one revolver seized the state radio this week in an attempt to launch a coup.

DOLLAR

New York DM1.8172

FFr8 3385

SFr1.6095

DM1.860 (1.874)

FFr6.3300 (6.3475) SFr1.6075 (1.6130)

\$ index 69.1 (69.7)

Tokyo close: 139.35

US LUNCHTIME

3-mo Treasury Bi yield: 8.152 Long Bond: 109 2 yield: 8.050%

769.1 (69.7)

RATES Fed Funds 9.00%

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

Y139.20

to learn karate after a group

for a US offshore missile test

zone in an effort to halt the

launch of a Navy Trident 2

Karate on radio

MARKETS

New York & \$1.6610

London: \$1.8600 (1.6500)

DM3.1025 (3.0925) FFr10.5075 (10.4725)

SFr2.6675 (2.6625)

£ index 93.4 (93.0)

GOLD New York: Comex Aug

Y230.50 (232.0)

London: \$374.25 (373.75)

\$17.275 (17.225)

Chief price change yesterday: Page 18

N SEA OIL (Argus)

\$374.6

Philippine troops captured communist rebel leader Satur

and official misconduct."

awaiting trial on fraud

idi arms de

charges.

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orporation

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to acquit him by two judges on an eight-member panel.

agreed on a compromise seat-

to take part in the interna-

Palme conviction

A petty criminal who has

as President Page 18

airport, Libya, killing 78 peo-ple, the second DC-10 crash in nine days. Page 4 Stealth rebuffed The US Congressional debate over the B-2 stealth bomber

ICI, Imperial Chemical Indushas moved into a new phase, after a vote by the House of Representatives to slash fund-ing and halt production of the aircraft. Page 6

\$1.52bn in the six months to end-June. Page 19

TAIWAN Government has made its first move against

HITACIAI, Japanese electronics group, is to sell semiconductor manufacturing technology to Gold Star, South Korean group, in first technology transfer

DIGITAL Equipment has reported a 22 per cent fall in fiscal fourth-quarter earnings with weak US demand for its computer products offsetting strong sales abroad. Page 22

BRAZIL'S car makers appear-

ELDERS IXL, Australian brewer, shareholders approved a plan which could strengthen chairman Mr John Elliott's personal control over brewing. agribusiness and finance conglomerate. Page 23

BANCO Espanol de Credito (Banesto), one of Spain's main commercial banks, has entered potentially damaging row with large industrial affiliates, Carburos Metalicos, Catalan chemicals group. Page 20

US House of Representatives agreed temporary increase in the ceiling on US Government

ENIMONT, Italian chemicals with action against possible illicit tax breaks by the European Commission. Page 3

PWA, Calgary-based company which owns Canadian Airlines International (CAI) and which recently bought Wardair, has reported another quarterly

loss. Page 22 US car and truck demand has declined, taking its toll in the second quarter on General Motors and Ford, world's lead-

UAL and Delta Air Lines, two US atritue companies, helped justify analysts' expectations of a strong quarter for the air-

SHELL Oil, subsidiary of Royal Dutch/Shell, lifted profits after

CADBURY SCHWEPPES South Africa, subsidiary of UK confectionery group, has lifted sales by a fifth. Page 23

OECD, international economic force. Page 3

Business Summary

By Michael Cassell in London

composite insurer, is buying Lloyd Italico, a general Italian insurer, for £99m from Italy's Fondiaria Group. Fondiaria will retain a 10 per cent inter-est in the subsidiary. Page 19

motor union, suffered a humili-ating defeat when it lost its first ever representation vote in a Japanese-owned US car facility by an unexpectedly wide margin. Page 6

EUROTUNNEL, Anglo-French Channel tunnel group, may have breached convenants in agreements with its lenders, placing it in technical default on some £5bn in credit lines. Page 19

tries, UK's biggest chemicals company, announced pre-tax profits 18 per cent higher at

ANHEUSER-Busch strength ened its grip on the US brew-ing industry in the second quarter with record sales and profits. Page 22

underground investment industry by raiding two compa-nies and impounding their

of its kind. Page 7

back on a collision course with the Government over retail prices, after sharp rises in steel prices. Page 6

borrowings. Page 6

producer, has been threatened

ing automotive manufacturers.

line industry by reporting record earnings. Page 22

an improvement in earnings in all segments. Page 22

group, called for a a new range of policy measures aimed at bringing the long-term unem-ployed back into the work-

STOCK MDICES

2,283.7 (+19.2)

1,902.5 (+ 16.7)

FT-A All Share:

1,166.71 (+0.7%)

FT-A long gilt yleid

Index high coupon:

FT-SE 100:

FT Ordinary

9.40 (9.43)

New York ku

2,621.59 (+8.54)

34,785,28 (+269,45)

LONDON MONEY

3-month interbenk:

Tokyo: Nikkei

closing 13∰

DJ Ind. Av.

Thatcher counter-attacks after controversial reshuffle

Friday July 28 1989

MRS Margaret Thatcher, the British Prime Minister, yester-day acted to end the embar-

rassing controversy surrounding this week's Cabinet reshuffle by calling on senior ministers to launch a summer counter-offensive aimed at restoring the Government's fortunes.

Asserting her authority over ministers and MPs, she told the first meeting of her new Cabinet that she wanted to "draw a line" under this week's ministerial changes, which saw Sir Geoffrey Howe heing reluctively presupeded to

leave the Foreign Office. She did not expect any fur-ther, significant changes in the top ranks of the Government before the next general elec-

Although she did not express any regret over the week's events, her remarks were being interpreted as a call for an end to the damaging recrimina-tions surrounding her reshuffle which many MPs believe has seriously backfired.
The end-of-term Cabinet ses-

sion came a few hours before Sir Geoffrey Howe, the former

extraordinarily warm reception from Conservative MPs during his first appearance at the House of Commons despatch

INCIAL TIMES

box. With many Conservative MPs still angry over the Prime Minister's handling of this week's reshuffle and, in particular, of Sir Geoffrey's unex-pected move, they mounted a noisy demonstration of support for the new Leader of the Commons and Deputy Prime Minis-

The loud and prolonged cheers, together with waving of order papers, also conveyed

a clear "hands off" message to Mrs Thatcher about her future relationships with one of the party's most respected and

influential figures.

Sir Geoffrey sat immediately
to Mrs Thatcher's left. He gave
a short report on government business and was said to be "scrupulously polite."

Close colleagues of Sir Geoff-rey at Westminster were yes-terday re-emphasising his determination to ensure that his new responsibilities are exploited to the full and that he remains a highly influential figure within the party.

It was said that he intended to fulfill his role as deputy leader of the party and Leader of the Communications of the Commons in the same way that Lord Whitelaw had done, although many MPs were expressing doubts about his ability to establish the same type of relationship with the Prime Minister, given this

week's events. During question time, in which Mrs Thatcher repeatedly praised her new cabinet line-up but failed to provide any per-sonal tribute to Sir Geoffrey. she forcefully re-emphasised

in London FURTHER evidence of slower Continued on Page 18

higher.
Real growth fell to an annual rate of 1.7 per cent in

sures are still present. Infla-tion, measured by the fixedweight GNP deflator, rose to an annual rate of 5.2 per cent from 4.6 per cent in the previous quarter - but excluding energy prices, the rate of increase fell slightly.

Despite acceleration in the inflation measure, the bond market did not appear too worried. The growth figure was rather weaker than the markets had expected and

have accepted the Federal Reserve view that price pres-sures in the first half of this year were largely related to supply conditions in the food and energy sectors and were temporary. On Monday and Tuesday, the Federal Reserve indicated that it was lowering its target for the Fed Funds rate, that at which banks lend

activity outside the farm sec-

close above DM3.10 in London.

Sentiment was encouraged by Bank of England weekly figures for bank notes in circu lation. Analysts said these suggested Mo, the narrow measure of the money supply, was growing at a seasonally adjusted rate of between 5.5 per cent and 5.7 per cent in the year to July. That compared with 5.9 in June and the Treasury's target range of 1 per cent to 5 per cent.

Analysts said the pound will continue be to underpinned by a belief that UK interest rates are unlikely to be cut for some time. The FT-SE 100 share index closed 19.2 higher at

Foreign Secretary, received an Official Soviet unions seek to re-establish control over all strikes

By Quentin Peel in Moscow

THE Soviet Union's government-controlled official trade unions have tabled proposals which would outlaw strikes which are not approved by their own committees.

The draft law, which follows growing industrial unrest throughout the country, has run into furious opposition from workers' deputies, and from leaders of the recent mass miners' strike, who see it as a negation of the whole process of labour law liberalisation. Trade union officials yeste

day said that the draft had been approved by key govern-ment ministries and had been put forward but that numerous amendments had now been tabled by deputies in the Supreme Soviet.

The key provision of the draft would require any strike action to be approved by the official trade union committee concerned - effectively leaving control in the hands of the traditional state and Communist

Party bureaucracy.
At each stage of an industrial dispute, the draft also seeks to make the decisions of conciliation panels, and labour arbitration, legally binding. It also sets out a wide range of industries, including public transport, communications, defence, power engineering and continuous process industries, in which strikes would be outlawed.

"You read it, and you will realise the document is groundless. It doesn't allow strikes at all," Mr Yuri Bondaryev, a member of the Donetsk miners' strike committee, said n Moscow this week. the legal department at the He said the official union AUCCTU, said it would be subin Moscow this week.



Soviet leader Mikhail Gorbachev (right) and Prime Minister Nikolal Ryzhkov at the opening of the Supreme Soviet yesterday

leadership – the All-Union Central Council of Trade Unions - was out of touch with the Soviet workforce. "They do not feel how the

situation is changing. It will not lead to anything good." The miners' strike leaders, elected in spontaneous strike committees across the country, have won their demand for new elections to replace their local trade union leaders. However, many believe the entire official union structure, with a large bureaucracy at national headquarters, is simply an extension of the state bureau-

The union's draft strike law was yesterday the subject of heated debate in the Supreme Soviet's Commission on Labour and Social Affairs, with

deputies tabling a series of Mr. Vassily Klebtsov, head of stantially altered from the original union draft. Union officials said the draft was agreed between the AUCCTU, the Ministry of Jus-tice and the State Committee

for Labour, the equivalent of a There was general agreement that the aim of the law should be to restrict strikes,

not to permit them. "The most important thing is to protect the right to work," according to Mr Andrei Shugayev of the Institute of State and Law. The law must be preventive (of strikes)." At the moment, although the

right to strike is in the Soviet constitution, in practice they have no legal basis, and strik-ers are usually regarded as being gullty of civil disobedi-ence. The miners' strike, which involved more than 250,000 workers at its peak, has changed all that.

Bristol-Myers, Squibb join rush to merge By Roderick Oram in New York

BRISTOL-MYERS and Squibb, two big US pharmaceutical groups, agreed yesterday to a share swap which will create the world's second biggest drugs group with annual sales of \$8.6bn and stock market capitalisation of about \$25bn. The merger, coming hard on

the heels of Dow Chemical's agreed bid for Marion Laboratories and SmithKline Beckman's merger with Beecham of the UK, sparked a rally of other US drug stocks on the New York Stock Exchange. Shares of Schering-Plough, Upjohn and Pfizer were particularly active as investors scrambled to bet on other possible combinations.

"The pace of consolidation is far faster than I anticipated," said Mr Sam Isaly of Mehta and Isaly, a New York-based consultant to the global drug industry. "It might reflect ter-ror in the boardroom that they

might be left behind."

Bristol-Myers Squibb will have some 4 per cent of the world drug market, only just behind Merck of the US and about one point more than about one point more than SmithKline Beecham.

Bristol-Myers and Squibb. whose chairmen have known each other well for more than two decades, said they began to realise the benefits of a merger three years ago. ' are an absolutely unique fit," said a senior executive of one of the companies.

Merger talks began in ear-nest less than two weeks ago, prompting Wall Street speculation that Squibb might have been under pressure from a potential bidder such as Glaxo of the UK. Senior management of the companies vigorously denied it yesterday in a New

York meeting with analysts. Squibb's stock rose from \$76 on June 30 to \$87% on Wednes-

day then vaulted yesterday \$23% to \$112, valuing the company at \$11bn.
For each Squibb share investors will receive tax-free 2.4 Bristol-Myers shares, which fell \$3% to \$48% yesterday. The companies billed the deal

as an old-fashioned stock swap merger. Long languishing in the face of high-premium cash takeovers, the technique gained a new lease on life through the recent Time-Warner transaction. Courts in Delaware upheld manage-ments' right to take long-term actions that might not be in investors best short-term inter-ests. Bristol-Myers and Squibb are both incorporated in Dela-

The two companies' rush to get married was evident from their lack of post-honeymoon planning. Squibb will retain its separate identity, but lengthy discussions in coming months will resolve how the two companies will otherwise be melded together.

On a combined basis, the two companies had net income of \$1.3bn last year, drug revenues of \$4bn and spent more than \$600m on research and development. Each had 4,000strong sales forces. Their wide drugs portfolio includes world leaders in cardiovascular and anti-cancer fields plus a number of highly promising new

products. The combined group's activities will also extend to consumer products such as toilet ries, medical devices and nutritional products such as infant formulas. Lex, Page 18

On the instructions of Cabra Estates PLC

22-26 SHEPHERD ST. LONDON W 15

prices rise amid signs of economic slowdown By Anthony Harris In

D 8523A

Washington, Janet Bush in New York and Raiph Atkins

US economic growth yesterday appeared to justify the Federal Reserve's monetary easing ear-lier this week and helped send US bond and equity prices

annual rate of 1.7 per cent in the April-June quarter from 3.7 per cent in the first quar-ter, according to advance esti-mates released by the US Com-merce Department today. However, inflationary pres-

bond prices rose modestly. Financial markets appear to

to each other overnight.

The growth figures suggest little change in the level of

Sterling climbed a pfennig against the D-Mark yesterday, building on gains following Wednesday's trade figures, to

2,283.7

UK Government blocks sale of 50 Hawk trainer jets to Iraq

By Andrew Gowers, Middle East Editor, in London

more than 50 Hawk trainer jets

The Cabinet overseas and defence committee decided not to allow negotiations betwe BAe and fraq to proceed on the grounds that the proposed deal – which would have been worth several hundred million dollars - fell outside the UK's official guidelines on weapons sales to the Gulf war combat-

Ministers appear to have

en swayed by concern about

the fragile nature of the 12-month-old ceasefire between Iran and Iraq and about Iraq's human rights record.

BAe had no immediate com-ment on yesterday's decision, which was reported by White-hall officials. But it will be a bitter disappointment to the British company, which had hoped that a Hawk deal would

THE UK Government conflict. It makes it more likely yesterday blocked an attempt by British Aerospace to sell jet, made by Dassault-Breguet that Iraq will choose the Alpha jet, made by Dassault-Breguet of France and Dornier of West Germany, to meet its trainer

> France is Irag's second most important arms supplier after the Soviet Union, and British Aerospace had for some time been looking for a chance of challenging French arms man-ufacturers in the Iraqi market. It also saw the contest as a crucial part of the global rivalry between the Hawk and the Alpha jet.

Talks on the deal, which would have involved an initial sale of around 50 Hawks and local production of the aircraft. been under way since shortly after last summer's ceasefire. It had become a test of British Government attitudes to post-war arms sales to tran and Iraq. The Ministry of Defence and Department of Trade and Industry supported British Aerospace in its argument that the trainer, as a non-offensive aircraft, fell within the Government's 1984 export guidelines. Opponents of the deal said the Hawk could easily be converted for combat purposes. In particular, the Foreign Office has been worried that a sale of

Hawks to Iraq might jeopardise Britain's long-term chances of restoring diplomatic relations with Iran. Officials have also pointed to Iraq's human rights record and its use of chemical weapons against its Kurdish minority as arguments against

But it is the shaky truce between Tehran and Baghdad that appears to have determined yesterday's decision. Although a formal ceasefire took hold on August 20 1988, a truce agreement has yet to be signed and peace negotiations

have made no progress.

Apart from the Alpha, other aircraft in the running for the Iraqi trainer contract are believed to include the MB-339 made by Aeromacchi of Italy and the C-101 from Spain's

serve as an entrée to further re-equipment business in Iraq following the eight-year Guli. CONTENTS West Germany: The snail truns into a race-Problems gather for



Mr Rafsaniani (left) can be in no doubt that today's election will provide him with: strong endorsement as leader. His immediate task is to dampen some f the more extravagant hopes being pinned on him.

Perus Blood and terror stain the left's Shining UK politics: Why John Smith could be 'model' do with all their cash Page 18

World Gu

sent: What West German companies Technology: A film maker focused on trouble Arts: The British Museum's new Islamic Gai-Editorial Comment: Reform of safeguards .. 16 Raw Materials International bonds . Inti. Capital Markets -Wall Street -London 31 Unit Trusts



Comprising air conditioned Offices and newly fitted out luxury Apartments.

Full vacant possession Spring 1990.

EUROPEAN NEWS

appeal to **Euro** court

By David Buchan in Brussels

THE European Commission yesterday decided to make an urgent appeal to the European Court of Justice to order Depmark to re-open tendering for the Dkr3bn (£250m) Storebaelt

bridge contract.
The Commission claims that Denmark broke EC non-discrimination rules in asking bidders to use largely Danish labour, gear and materials. The contract was awarded in

June to a consortium of three Danish companies - plus Tay-lor Woodrow of the UK, Ballast Nedam of the Netherlands and Losinger of Switzerland – which beat a consortium led by Bouyges of France and Traial-gar House of the UK. The latter

The Commission has acted with unusual speed in an effort bid to have the contract reopened before work starts on the 6.6km road and rail bridge to link Sizelland to the Jutland

Denmark has refused to change the contract, arguing that the special requirement on local content was removed from the final contract.

This is the first time such a big contract has been chal-lenged under EC law, and is a key test for the opening of pub-

Bridge deal | London and Bonn settle rows on low-flying and radar

By David Goodhart in Bonn

AN OUTLINE deal resolving two of the most serious politi-cal-military differences between Britain and West Germany – low-flying over Germany and the choice of radar system for the Eurofighter Aircraft – has been provisionally agreed. However renewed ten-sion between Germany and its Nato partners can be expected over its withdrawal, on financial grounds, from certain collaborative military projects.
The deal over low-flying,

of August ready for Mr Gerhard Stoltenberg, the German Defence Minister, to present to the Bundestag in September.

The disturbance created by low-flying has been a concern in Government for warms. in Germany for many years but boiled over into a hot political issue after several accidents at the turn of the year. When Mr Stoltenberg became Defence Minister in April he made the negotiations to reduce low-flying, already in progress, a priority issue and took them out of the hands of

ticularly the US and UK, should be formalised at the end

the military.

According to defence officials he has succeeded in cutting back low-flying by about 50 per cent. The maximum period of low-flying in one mission is to be halved to 15 minutes. Currently the British alone fly about 19,300 missions per year over the seven designated areas of Germany.

Most low-flying takes place

Most low-flying takes place at about 75 metres but some flying is allowed as low as 35 metres. Although the demand of some local authorities to ban all flying below 300 metres has been rejected it is believed that

some restriction on the very lowest flying has been

The British have been the most reluctant of the relevant allies to budge on low-flying and according to some officials they were only persuaded to accept sharp cuts in return for an agreement from the Geran agreement non the Germans on the Eurofighter radar system preferred by the British, the ECR 90. This linkage is denied by the British Ministry

of Defence. In any case a final agreement on the Ferranti-led ECR 90 system does now look set for

the end of August. The Germans had been arguing that the ECR 90 is too risky and would lead to enormous cost over-runs which their fragile

defence budget could not carry.
According to Jane's Defence
Weekly a recent review of that
defence budget has placed a
question mark over at least
three big collaborative projects. It is claimed that the Germans have stopped funding the Advanced Short Range Air-to-Air Missile (ASRAAM) being developed by the UK, US and Germany. And the German role in the Nato Frigate Replacement Programme and the Anti-Navire Supersonique missile being developed with the French is also said to be in

opardy. The German Defence Ministry did confirm that a review of projects was continuing and that priorities would have to be selected in September. The 1990 defence budget of DM5447bn has risen only in line with inflation and although research and development expenditure is rising, spending on procurement is set to fall next year by 4.5 per

Balts win measure of economic freedom

By Quentin Peel in Moscow

THE SOVIET parliament yesterday gave the green light for the Baltic republics of Estonia, Latvia and Lithuania to press ahead with plans for sweeping economic self-management — but stopped short of approving a proper legal base for the process.

The move is a crucial step

base for the process.

The move is a crucial step towards decentralisation of the economy – and a big sop towards the growing independence movements in the outlying republics. However it is also clearly a compromise, which still gives opponents a chance to hamstring the process in formal legislation later this year.

The vote came after six hours of stormy debate yesterday pitting Russians and Central Asians against increasingly independence-minded Balts, and the most dedicated economic reformers.

The compromise, thrashed out by Mr Mikhail Gorbachev and his aides the previous night, was clever enough to

night, was clever enough to enjoy overwhelming support from both sides.

It was welcomed by leaders of the Baltic republics as a crucial decision paving the way for their ultimate ambition of far-reaching economic indepen-dence of Moscow.

The Supreme Soviet in Moscow decided to give its blessing to the proposals by the republics for "regional cost-accounting" from January, one year before the rest of the country is supposed to go over to the system

It means that they can have substantial independence in local budget planning, taxation, and production - within a framework still set by Moscow. What it does not yet do

 but the Baltic republics want - is give them the "eco-nomic independence" they are looking for. That is to be finali-sed in legislation next October. The decision ducked the cru-cial questions of whether the Baltic republics will be formally the owners of their own natural resources - and therefore able to deny Moscow Min-istries any right to exploit them without local permission,

for example. Without a detailed law, there is no mention of whether they can go ahead with plans for their own currencies, as both Estonia and Lithuania ultimately intend.

Opponents of the process are divided between those who see it as little more than closet nationalism in economic clothes, and those who want to follow the same course, and don't want the Baltic republics to have a head start.

Major figures who spoke out against the full demands for

"economic independence" included Mr Vitaly Vorotnikov, president of the Russian federation, and Politburo member. He said the Baltic plans were contradictory, failing to clarify how factories belonging to central government ministries

could be brought under local control.

Soviet economic growth is falling behind target while wages are racing ahead of productivity and adding to inflation, Reuter reports from

Moscow.

Official figures for first half of the year show labour unrest is rising while foreign trade has slipped into deficit. Wages were growing at 10 per cent a year while productivity had increased by only 2.7 per cent.

France warns laggards on road to monetary union

By Tim Dickson in Strasbourg

which has involved tricky negotiations with several of Germany's Nato allies but par-

YESTERDAY FRANCE underlined its determination to push ahead quickly with plans for European economic and monetary union, and warned Britain that other EC countries would reach their own agreement if it rejects their terms. In a speech outlining In a speech outlining France's ambitions for its EC presidency, Mr Roland Dumas, the Foreign Minister, told the European Parliament he intended to set up a new group of foreign ministers' representatives to "start work without delay on the preparatory texts for the drafting of a new treaty" (on monetary union). treaty" (on monetary union).

The principle of staging an inter-governmental conference to endorse such a treaty was an approved at the Madrid summit, which also agreed in principle on the first stage of the road to monetary union mapped out in the Delors report.

report.
The "first stage" — intended to enter force next July 1 - calls for all EC currencies to participate in the exchange rate mechanism of the European Monetary System, and for greater economic and social

Mr Dumas has had a mixed response to his plan for a new working group, an idea he first floated over a foreign minis-ters' lunch this month in Brussels. Britain's reaction was apparently the most cool but other member states are understood to have asked why preparation could not be carried for-ward in Brussels in the regular

meetings of EC ambassadors.

At a news conference Mr
Dumas repeated many of the
sentiments about British reinctance expressed by President François Mitterrand in an interview with several European newspapers this week. Mr Dumas initially appeared

to take a conciliatory line

stressing the fact that Mrs Margaret Thatcher had shown herself willing at Madrid to start work on the Delors report and to accept the first of the three stages to EMU which it

He said that he wanted the Community "to go ahead on the basis of all 12 countries" agreeing to a comprehensive and gradual process of economic and monetary union but that "if one of the 12 cannot agree, the other 11 are not

going to mark time."

Asked whether he expected member states to sign a new treaty or to amend its founding

charter the Treaty of Rome, he suggested that both approaches were possible.

Among other EC presidency priorities highlighted in Mr Dumas' speech were the fight against unemployment, and the need to strike "a balance first of all between liberalisation and harmonisation" on the road to 1992.

He insisted that undertakings regarding the harmonisa-tion of taxation on savings... will have to be complied with — a reference to the Commission's proposal for a common withholding tax on bank interest.

EC to act on tropical rain forests

AN IMPORTANT debate on how the European Community can best contribute to the pres-ervation of the world's tropi-cal rain forests is expected in the next few months following a new initiative in Strasbourg

"communication" to the Council of Ministers prepared by the EC's environment commis-sioner Mr Carlo Ripa di Meana and formally adopted by his colleagues at their weekly

EC Energy Ministers. Yesterday's Commission communication, which follows the concern expressed both at the RC Summit in Madrid last month and at the Summit of the main industrialised nations in Paris this month, clearly establishes the link between tropical forest destruction, man made car-bon-dioxide emissions, and global environmental threats like the "greenhouse effect", the trapping of the sun's heat near the earth's surface.

EC to "support strongly" countries trying to carry out for-estry programmes, to do more through its agreement with the African, Caribbean and Pacific countries, and to work closely with the World Bank and the International Monetary Fund " to avoid financing programmes and projects likely to have a deleterious

that it may re-emerge either in a forthcoming paper on energy and the environment or in

By Tim Dickson in

It came in the form of a

As such, the document makes no commitment on fin-ancing and indeed, the contro-versial idea of a carbon tax on energy consumers which was actively discussed at the drafting stage was shelved in the interests of reaching a Commission consensus yesterday.
On the other hand, the communication's reference to the "need to mobilise greater international resources for development assistance pro-grammes in general, and for tropical forest conservation in particular" is a prompt to member states in the discus-sions planned for the Septem-ber and November meetings of

By the 1980s, it explains, roughly half the tropical forests existing at the turn of the century had been destroyed, while the only formal world-wide survey of deforestation carried out in the early 1980s showed that the rate of loss of tropical forest was about 11m hectares per year (an area approximately three times the size of Belgium).

The Commission calls on the

impact" on tropical forests.
Senior Commission officials
are convinced that the idea of
the carbon tax is not dead, and future Council discussions.

Belgian coalition tries to hold the line on spending

By David Buchan in Brussels

THE BELGIAN Government yesterday agreed a BFreobn (£1.23bn) package of tax increases, spending cuts and debt interest deferral to try to prevent the country's public expenditure gap growing next

Mr Wilfried Martens, the Prime Minister, seeking to maintain public austerity despite last year's entry of the Socialists into the coalition, said the Government would hold the 1990 budget deficit description of the last of the

rate of 3 per cent, this would produce "a real economy of the same order", the Prime Minister said. This would bring the budget deficit, again shorn of debt servicing, down from 6.9 per cent of gross national prod-

net to 6.5 per cent.

But pilling interest charges on Belgium's enormous public debt would still mean a further deor would still mean a further increase in the cost of debt servicing from BFr441bn this year to BFr512bn next year. None the less, Mr Martens forecast that from next year the "snow-ball effect" of cumulative debt interest could be broken "due interest could be broken, "due to the measures just decided and on condition the economy performs as favourably as predicted".

To contain the budget imbal-

ance next year, the Government has decided to: cut spending by Bfr30bn, with defence taking a major reduction; issue Bfr20bn worth of six-year Treasury bonds to banks and financial institutions instead of financial institutions instead of paying that amount due in interest next year, and to save another BFr10bn in better debt management; raise excises on tobacco, alcohol and diesel and taxes on individuals by BFrshn; close tax exemptions for companies, while still lowering slightly the basic rate of corporate tax, to produce savings of BFr10bn.

FINANCIAL TIMES

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Real zebras, like most things in life, aren't just black and white. Even the whitest stripe contains a few grey hairs. Reality is, after all, mostly shades of grey. That's why Hitachi's late-model faxes feature a 16-step grey scale to clearly transmit even subtle shades. This capability results from a proprietary 0.125 mm dot scanning pattern and an image-processing LSI. Meticulous integration of these two technologies assures exceptional accuracy of tones over a range so wide that you can even judge the quality of a photograph.



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Slower growth in jobs forecast

By George Graham in Paris
AFTER THE strongest
employment growth for a
decade in 1988, industrialised
nations face a slowdown in job
creation and stable rates of
unemployment over the next
two years, according to the
Organisation for Economic Cooperation and Development
(OECD).
In its annual Employment

Outlook the Paris-based organisation forecasts that employment will grow by around 1.25 per cent this year, after 1.8 per cent in 1988, and by 1 per cent in 1990. This will still leave more than 28m people out of work in the OECD area by the end of next year, with an unemployment rate unchanged at around 7.25 per cent.

Unemployment is projected to increase in New Zealand, Turkey and some Scandinavian countries, with declines in countries like Spain, Belgium

	1988	1989	1990
Total OECD	7.3	7.0	7.25
OECD Europe	10.1	9.75	9.75
Canada	7.8	7.75	7.7
France	10.1	10.0	10.2
West Germany	7.9	7.5	7.0
italy	11.0	11.0	11.5
Japan	2.5	2.25	2.25
UK .	8.2	7.0	7.25
US	5.5	5.25	5.5

Only West Germany and Spain are expected by the OECD to create jobs fast enough over the next two years to remain on course towards the target of reducing memployment to the level of 10 years ago, but both these countries may also see more people moving into the workforce than had been forecast, the organisation warns.

The study notes reports of skill shortages in many mem-

ber countries. In the UK and Canada labour scarcity has increased sharply since the end of the recession while in Sweden "the problem of labour shortage is pressing and immediate."

These shortages, together with the upsurge in inflation in many OECD countries, has put pressure on wages. Earnings growth is expected to accelerate to 5.75 per cent this year and to 6.5 per cent in 1990,

compared with 5.4 per cent last year and 4.5 per cent in 1987. At the same time, productivity gains are expected to slow down, so that labour costs per unit of output will rise from 3.2 per cent last year to 3.25 per cent in 1989 and 4.5 per cent in 1990

Noting the expansion of part-time work and of the full-time employment of

women, the OECD reports says that there is some evidence that economic growth has begun to eat into the numbers of people unamployed for long periods, who have proved the most difficult to bring back into the labour market.

Statistics for 1987 show an increase in the numbers of people out of work for more than a year, but the report says that most of the countries which have figures available for 1988 show a slight reduction in

Report calls for new action on the long-term unemployed

By George Grahan

A NEW RANGE of policy measures aimed at bringing the long-term unemployed back into the workforce is called for by the OECD.

"The time is ripe for major reforms and policy initiatives."

"The time is ripe for major reforms and policy initiatives to reintegrate the long-term unemployed into the labour market," it says.

With unemployment remaining high despite strong growth in jobs over the past year, the OECD says member countries

OECD says member countries should act to break down barriers which stop people from taking part in the economy. This means making it easier to have a "non-standard" form of job, including part time or home-based work.

At the same time, the OECD

At the same time, the OECD says governments must rethink their unemployment benefit systems to make sure that income support payments are linked to some means of

reinserting the jobless in the labour market. "Simply tiding over a period of unemployment, while the skills of the jobless inevitably deteriorate, reinserting the jobless in the labour market. "Simply tiding area," said Mr Tom Alexander, head of the organisation's social affairs department.

The theory that skill require-

is wasteful of talents."

Mr Peter Shearer, editor of the Employment Outlook, said that while economic growth was the main factor in the variation of overall employment levels from year to year, the OECD believed that the right structural measures could improve the overall performance of a country's econformance of a country's econformal educational qualifica-

could improve the overall performance of a country's economy, and lower the level of unemployment at which it could continue to grow without inflation.

Better and more targeted simply lead to a greater use of formal educational qualifications as a screening device, without adding anything to productivity.

Mr Shearer added that in the area of technical skills, where

inflation.

Better and more targeted education is also needed, the report suggests, since those whose educational qualifications are lowest are also the most at risk of unemployment.

"Skill formation is the key on-

Commission threat over Enimont tax breaks

By William Dawkins in Brussels

THE European Commission is threatening to take action against possibly illicit tax breaks offered to Enimont, the Italian chemicals producer.

It believes that the company, formed last year by the merger of Montedison and the chemicals activities of Eni, the Italian state holding company, could be gaining unfair competitive advantages from a government decree that exempts Enimont from 75 per cent of its capital gains.

Sir Leon Brittan, the Competition Commissioner, has called on the Italian Government to justify the scheme, which could lead to Enimont avolding an estimated capital gains tax bill of L825bn (£370m). The surplus arises from a revaluation of assets following the merger.

The Commission vesterday

The Commission yesterday gave Sir Leon permission to open formal proceedings if Rome fails to disprove its suspicions that it is contravening EC rules against most kinds of state aid. This gives him the power to force Rome to overturn the tax decree and charge Enimont its full tax bill.

The move comes a day after the Commission announced a wide-ranging crack-down on all kinds of anti-competitive state subsidies. It also launched an inquiry yesterday into a Dutch government plan to extend and reschedule existing interest-free loans to Volvo's Dutch offshoot.

vo's Dutch offshoot.

Volvo Car, 30 per cent owned by the Swedish parent company and 70 per cent controlled by Dutch public interests, would benefit from two state-sponsored funds, under the scheme. The revolving funds, worth a total of Bcu942m (£632m), would provide interest-free loans to back the development of new

models.

"Given that no other EC car manufacturer benefits from such a favourable financial instrument for the development of new car models, the Commission has decided to open an investigation," said a

West Germany's economy shakes off its sluggishness

The rate of growth is confounding all the forecasts, writes David Marsh in Bonn

S THE SNAIL turning into a racehorse? The West German economy, which only 18 months ago looked set for a period of chronic sluggishness, is spurting ahead at a speed astonishing the Jeremiahs.

Structural problems — especially West Germany's reluctance to hasten deregulation and to dismantle subsidies — were worrying observant least teach.

ers last year.

These handicaps remain, but they have been swamped by a glut of orders stemming from strong worldwide demand for capital goods. Mr Theo Waigel, the Finance Minister who took over in April, is basking in sconomic sameninity.

economic sanguinity.

The rays of optimism have largely been generated from outside. But there have also been encouraging signs that the backbone of the West German economy, manufacturing industry, is tackling the challenges of the 1990s with much more resilience and flexibility than seemed possible a few years are

possible a few years ago.

Only 12 months ago, the 24-nation Organisation for Economic Co-operation and Development (OECD) forecast that West Germany's 1989 growth would slow to 1.75 per cent, less than half the rate which now looks likely.

looks likely.

The OECD secretariat in its annual report on the economy

warned last July that low growth risked feeding on itself, setting up a "vicious circle" of weak investment and job creation, accompanied by increased resistance to necessary

increased resistance to necessary structural changes.

When the OECD publishes its latest findings on the Federal Republic on Tuesday, the picture will have

brightened considerably.

Benefiting from foreign demand, which will take the West German trade and current account surpluses to new records this year, as well as healthy capital spending, companies report sharply higher profits. Capacity use is the highest for 18 years—another factor behind a mini-invest-

ment boom.

Unemployment has fallen this summer to below the 2m level for the first time since 1982, although, on average, it will be around 2.1m for the whole of 1989.

The Bonn Government is forecast-

ing 3 per cent economic growth next year — good news for Chancellor Helmut Kohl, who has to fight a tough general election at the end of 1990. This follows 3.4 per cent expansion in 1988 and a projected 3.5 to 4 per cent increase this year. If the prediction is born out, it would represent the first time since the first oil shock in 1973 that West growth rate for three years in a row. Even more important, 1989 would be the first year since 1979 (and only the third year since 1970) that the Federal Republic will grow at above the average of the OECD's industria-

The change in fortunes for the much-maligned "German model" has coincided with a downturn in prospects for the US and Britain, the two countries which in the 1980s most energetically hoisted the free-market banner

Mr Sieghied Cassier, chief economist at Düsseldorf-based Industrie kreditbank, which specialises in long term loans to small and medium companies, says West German growth would be one percentage point higher if the Government brought in further-reaching deregulation. He points out that the country has benefited from the international "drum-beat" of liberal Thatcherist economics in reviving export markets — even though this is a policy which Bonn is reductant to practise itself.

Next year's growth is likely to be underpinned by a net DM25bn of tax cuts coming into effect on January 1. The tax reduction programme bequeathed by Mr Waigel's predecesor, Mr. Gerhard Stoltenberg, has been increased, partly for electoral

reasons.

It will give a useful fillip to overall European growth at a time when the international economy will be weakening because of a slowdown in the

Mr Ernst-Moritz Lipp, chief economist at the Dresdner Bank, talks of West Germany playing a role as a "European locomotive" next year. He points out, however, that this will depend on the domestic economy maintaining impetus when taken off the "drip" of above average export demand.

One question-mark centres on whether the Bundesbank, the statutorily-independent central bank, will step in with significant monetary tightening to ward off dangers of over-heating.

over-heating.

This year's higher-than-expected inflation rate, at 3 per cent, is causing some mild anxiety. But nearly one point reflects the impact of consumer tax increases which took effect in January, which will drop out of the annual comparison in the New Year.

New Year.

In view of the inflation pick-up, Mr
Otto Schlecht, State Secretary at the
Economics Ministry, punctuates his
otherwise confident analysis of prospects with a warning of a possible
"wage-price spiral" after next year's
metalworkers' pay round.

However, the Bundesbank has been deliberately raising interest rates in recent months to maintain what one director of the central bank calls a "stability-oriented" cilmate ahead of the pay negotiations. Both the IG Metall trade union and employers point to the danger of a strike next year. But labour fears that hefty pay demands would provoke the Bundesbank into organising a recession may dampen the chances of a serious pay clash.

Part of the reason for the brighter outlook is that West Germany has moved under a lucky economic star. International growth optimism, engendered by the European Community's 1992 single market programme and by East-West detente, has coincided with a period of relative weakness of the D-Mark.

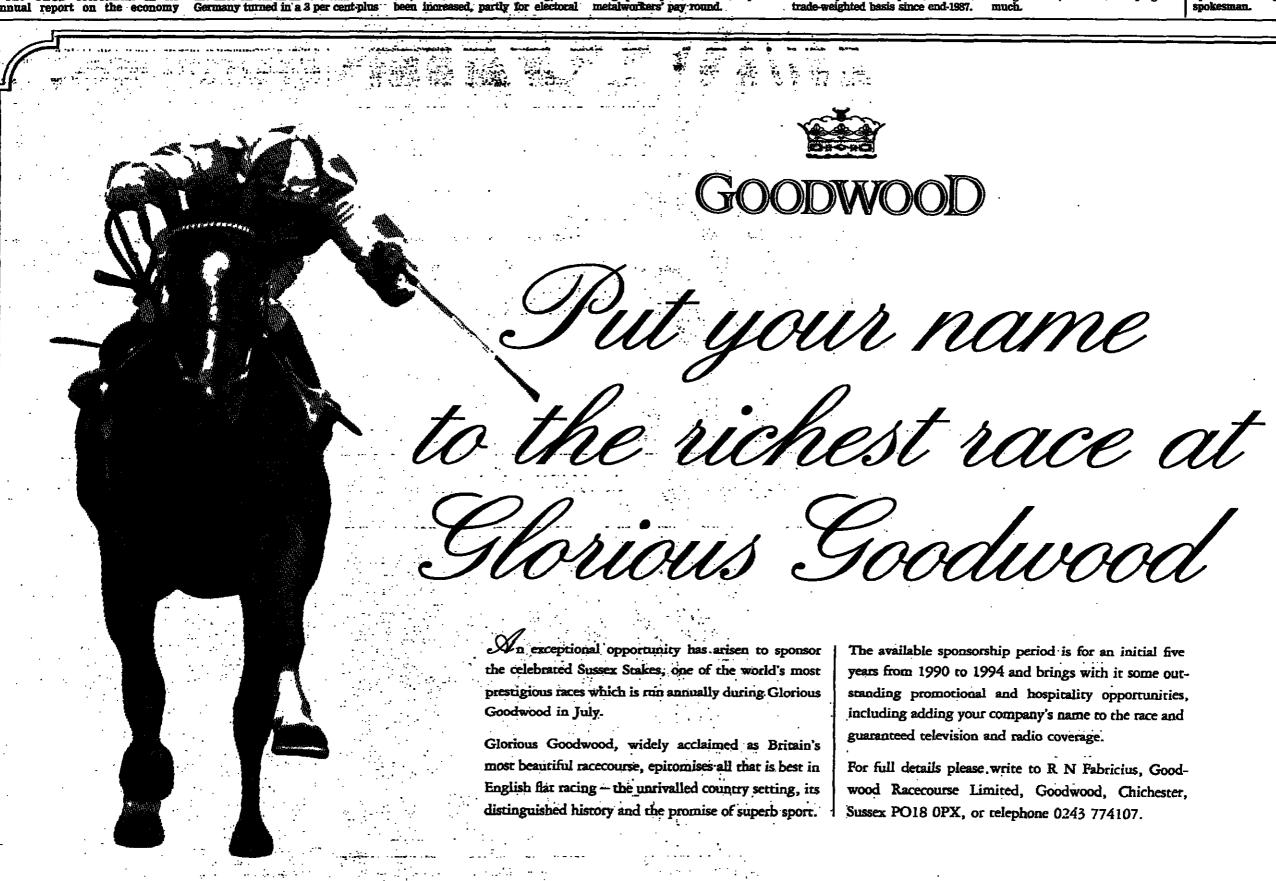
Confounding the pessimism at the time of the stock market crash in October 1987, overall growth in the OECD last year topped 4 per cent, and is forecast to continue at close to 3 per cent this year and next.

Reflecting the strength of the dollar and of currencies within the European Monetary System, the D-Mark has been devalued in real terms by about 6 per cent on a trade-weighted basis since end-1987.

All this has provided the best possible combination to West Germany's exporters of cars, chemicals, machine tools and capital equipment. And, at the same time, the sluggishness of world commodity and oil prices has prevented the D-Mark's weakness from significantly boosting inflation.

The Economics Ministry is projecting a 7 per cent increase in exports in real terms this year, with imports up only 5.5 per cent — although imports should again grow faster than exports next year. As a result, the current account surplus, which was DM85.2bn in 1988, will rise to a new record this year, boosted also by rapidly-rising interest income on West Germany's burgeoning foreign assets.

Continuing huge international payments imbalances focussed on the US, West Germany and Japan provide ingredients for potential currency unrest. One anxiety haunting West German economic policy-makers over the past few years has been that a new bout of dollar weakness would choke off export growth and trigger an international recession. The risk has not been entirely banished. But, as the sun shines on the West German economy, for the time being at least, no-one is worrying too



OVERSEAS NEWS

Japan's ruling party may abolish consumption tax

By Stefan Wagstyl in Tokyo

A LEADER of Japan's troubled ruling Liberal Democratic Party, which was heavily defeated in recent national elections, yesterday suggested the party might abolish a con-

troversial consumption tax.
The tax, introduced only in April, is widely seen as the prime cause of the party's biggest electoral defeat in more than 30 years when it lost con-trol of the upper house of the Diet last Sunday. The debacle prompted Mr Sousuke Uno. the prime minister, to announce plans to resign and plunged the party into a hasty search for a new leader. Even before the result, LDP

leaders were saying the tax would be revised. But yester-day's remarks by Mr Shin Kanemaru, a former deputy prime minister, indicate the party may go further.

Kanemaru told members of his party faction that the tax had been the main reason for defeat, ahead of the Recruit scandal and unpopular policies to liberalise agriculture. The tax was rejected by voters and may be rejected again. "If we don't pay attention to the tax, what's going to happen to us in the approaching lower house election?" (The lower house has the upper hand in the

Other party leaders said drastic revision would be better than abolition. One suggested exempting food from tax: another proposed renam-ing it a welfare tax. The party's willingness to

reconsider a tax which formed the centrepiece of its policies only a few weeks ago is a clas-sic sign of the LDP's ability to react flexibly in a crisis. The opposition parties' electoral success was largely due to their pledge to abolish the hated tax. Unencumbered by ideology,

the LDP finds it easy to borrow

An LDP turnaround would be made easier in this instance by the fact that some senior figures, including Mr Kanemaru, always opposed the tax. Its chief proponent was the Ministry of Finance, which yesterday said that the government's policy remained to explain the tax better to the

Meanwhile, the party named August 8 as the day on which a new leader will be selected by means of a ballot of all party Diet members, probably a secret one, although this has not yet been decided. The party feels an election is

cessary to regain public confidence after criticism of the way Mr Uno was chosen by way are the value of the chances of younger members putting up a candidate in defiance of the leadership—although whether they will have the strength to do so in have the strength to do so is

For the moment, the two names most frequently put forward are those of Mr Kanemaru, a member of the old guard, and Mr Ryutaro Hashimoto, the party general secre-tary. Mr Hashimoto, 53, is young in years but he is a senior member of the same faction as Mr Kanemaru and Mr Noboru Takeshita, the former prime minister. He would, like Mr Kanemaru, be seen as a candidate of the party establishment, which was compromised by the Recruit affair.

Cambodia

conference

By George Graham

in Paris

seating deal

CAMBODIA'S rival leaders

have agreed on a compromise seating plan which will allow them to take part in the inter-

national conference on the future of their country due to

open in Paris on Sunday.

The four leaders have agreed to sit in a "unified and quadripartite" Cambodian del-

egation, placed between Bru-nei and Canada. Mr Hun Sen,

the Cambodian prime minis-

ter, will sit on one side, with

the three members of the resis-tance coalition next to him. Mr Hun Sen had earlier

insisted on two separate dele-

gations, refusing any solution which placed him in the same

grouping as the Khmer Rouge,

the ultra-nationalist move-

ment which ruled Cambodia for four years under Pol Pot and which belongs to the resis-

tance coalition headed by Prince Norodom Sihanouk, the

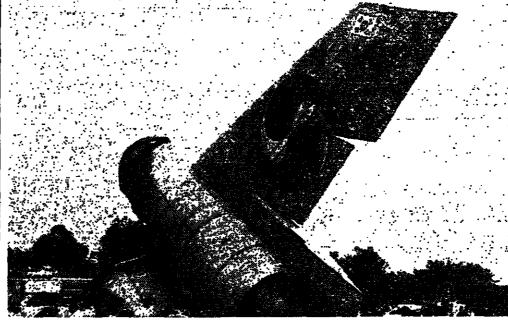
The two sides broke up in

"total disagreement" on Tues-day, but the diplomatic efforts

ference, won a compromise

yesterday, barring any last minute about-turns.

former monarch.



DC-10 crash in Libya kills 78

By Victor Mallet and Lynton McLain

A KOREAN Air DC-10 crashed near the Libyan capital, Tripoli, yesterday morning and first reports said at least 78 passengers had been killed. The airliner, travelling from Seoul to Tripoli via Bangkok and Jeddah, was carrying 199 engers and crew when it crashed and burst into flames a mile from the airport, the South Korean embassy in

Libya said. Diplomats at the embassy said heavy morning fog might have caused the accident. In the US, McDonnell Douglas, the makers of the aircraft, said they were not aware at this stage of any failure of the Kor-ean Air DC-10. "Early reports

By Terry Hall in Wellington

THE New Zealand government

kept fiscal restraint clamped tightly on the economy in the

budget yesterday in spite of

pressure for a more expansion-

ary stance in this, an election

Mr David Caygill, the

Finance Minister, hopes that if strategy remains tight the bud-get will move into surplus by

This year's budget deficit stood at NZ\$954m (£339m) or 1.5 per cent of GDP, and for the 1989-90 year Mr Caygill is aiming for a deficit of NZ\$729m. He intends to show a surplus in

While he intends to keep the

economy tight, he published a series of reforms to take effect

ZIMBABWE BUDGET

NEW ZEALAND

indicate there may have been a weather problem," said a Only eight days before a United Airlines DC-10 crashed

at Sioux City, Iowa, after the tail engine apparently exploded, severing hydraulic lines used to guide the aircraft. That accident killed 110 people. McDonnell Douglas said yesterday in Bonn that the front fan on the engine had "torn itself loose and blew into pieces". The manufacturer said this

was probably the most severe explosion of an engine in a civil airliner. Hospitals in Tripoli were yes-

terday treating dozens of wounded passengers, many of

after the election, in a wordy

set of documents. Big reforms in benefits are to be introduced

from April 1, 1991 and at the same date the accident com-

pensation scheme will be extended to cover adults under

The cleverest part of the budget was the decision to steal the opposition National

Party's superannuation scheme. On the face of it this continues the 1977 Muldoon

scheme under another name,

but it is far less generous. By linking the scheme to the con-

sumer price index rather than

general wage orders, it will

ensure that the cost of the

scheme diminishes rapidly.

The cost of the scheme will fall

60 incapacitated by illness.

Wellington opts for restraint

them Korean construction workers, for burns and other injuries. The plane hit cars and two houses, killing four people on the ground, the Libyan news agency JANA said.

JANA also said the pilot of a

fog before the Korean Air crash, and had diverted to

Soviet aircraft had decided not to land at Tripoli because of

Malta instead. McDonnell Douglas said the Aeroflot air-liner had aborted its landing. The DC-10 later landed short of the runway, on a house. The airliner might have experienced simultaneous engine problems, but there was no firm information about this, McDonnell Douglas said.

further as the age of entitle-

The new scheme will help

savings by encouraging people

to buy annuities, under the changes to the national super-

annuation surcharge from

April 1 which makes 50 per cent of income from registered

The budget continues the

Labour government's record of taxing everything it can, often by sleight of hand, because the

dates of implementing policies give one-off gains to Treasury coffers. The budget does

include substantial reductions in land tax, which will be of immense benefit to the trou-

bled commercial property sec-

pension schemes exempt.

ment rises to 65.

in their ranks, the timing of the superpower talks could hardly be worse for the mula-hideen. In fact one need read press releases from the Afghan resistance to sense the growing despair among the mujahideen. Their long-exaggerated claims have strayed beyond belief.
Totalling figures issued daily by the official Afghan news

defected from a 100,000-strong army since February, while 637 security posts out of a possible 30 have been captured around Jalalabad since March.

US officials talk of increased

Plans to launch a countrywide offensive on all airports with the aid of new heavy artillery from the US have been shelved, with attention instead focusing on the Hezbi-Jamiat fight that Pakistan's military intelligence have underestimated as a "tribal feud", but Western diplomats in Islamabad say will dominate the

interim government suffered another blow to its credibility when Mullah Malang an impor-tant Kandahari commander. nowhere but clashes.

In the midst of this is Mr Peter Tomsen, the new US envoy to the mujahideen, whose Washington-inspired

comes to a head

Christina Lamb on why Afghan rebels are fighting each other

Mujahideen's

squabbling

HE AFGHAN mujahi-deen are not famous for their unity. While Presi-dent Najibullah in Kabul keeps differences among his ruling People's Democratic Party (PDPA) submerged, squabbles among the seven resistance parties have become increasingly violent and public, cul-minating in the brutal massa-cre last week of 30 Jamlat mujahideen by a commander from Hezbi Islami, a rival group led by the extremist Gui-

buddin Hekmatyar. Today, the Jamiat leadership will decide how to retaliate, at a meeting they say could deter-mine the course of the war. The meeting comes at a sensitive time, just days before the first superpower talks on

Afghanistan for 18 months. There is no doubt that reprisals will be taken, however, despite the public relations gift that would give President Naji-bullah and his Soviet backers. Those killed were associates of Ahmat Shah Massoud, Jamiat's leading commander

and an important player in any move on Kabul. Hezbi has often accused Massoud of expansionism and fears he is winning over some of its men as well as receiving more of the US-supplied weapons, the lion's share of which went to Hezbi until recently. With such overt differences

agency, it seems some 50,000 government soldiers have

Little fighting

than when the last of the garrison just outside Jalalabad the Soviet Union.

hopes of being able to ride into Kabul on the back of a mujahi-deen tank have received a severe dent since his arrival

two weeks ago.
Then he stunned reporters by talking of mujahideen mili-tary successes, seemingly unaware of how little fighting

there is. While in the Pakistani bor-der town of Peshawar, head-quarters of the resistance, Mr Tomsen was carefully steered to party stalwarts who would not rock the boat. However, in Quetta, the base for operations in the southwest, he faced a barrage of home truths.

For Mr Tomsen, who claimed the resistance were united but the regime in disarray, there was a lot to take in. Despite the joint Bush-Bhutto statement urging a political solu-tion, conventional wisdom among mujahideen and diplo-mats in Halamabad is that they are being given the summer for another shot at reversing their recent battlefield fortunes.

Spilling blood

However, many mujahideen hope he will go back to Wash-ington with the news that all is not as seems. "Giving us more time just means spilling more Afghan blood," says Asim Naser-Zia, a spokesman for the National Islamic Front of Afghanistan. But so far Mr Tomsen speaks

only of the military option. "I'm confident of a military victory. The pressure is grow-ing on Kabul, the regime's control is receding, the lines of communication are under increasing pressure and they cannot recruit troops. Time is on the resistance's side.

In fact, time seems to be favouring President Najibullah's regime, which now find itself in the same situation that the mujahideen were in before the Soviet withdrawal: if you don't lose you win.

The chances of a military victory for the mujahideen seem remote without a total change of strategy. Their disorganised hit-and-run tactics are totally unsuitable for a setpiece battle required to capture a well-defended town.

Analysts point out that since the Soviet departure the mujahideen have been unable to take a single security post despite repeated attacks have failed to capture even the small town of Kalat, protected by fewer than 600 soldiers.

The lack of unity which was once a strength, because the Soviets could never focus on a centre of command, is now disastrous.

The failure to form a united command is a reflection of the recipients are now becoming increasingly obstructive.

Malang says: "In Kabul now

Bank revises Thai growth upwards to 9.7 per cent

By Roger Matthews in Bangkok

THE Bank of Thailand, noted for its caution, has for the third time in six months revised upwards its forecast for the country's economic growth this year, in part because of events in China and Hong

At a time when other high-flying Asian economies are anticipating a period of consolidation, the Bank of Thailand is now looking for a 9.7 per cent increase in gross national product, having fore-cast first 8 per cent and then 9

The Thai economy grew by 11.1 per cent in 1988 but with an overburdened infrastructure groaning under the strain of new investment, local economists forecast that 7-8 per cent was the maximum that could be achieved this year.

The government has already this year revised the targets set in the sixth Five Year Plan, which had aimed for annual average growth of 5 per cent in the 1987-1991 period. This was raised to 7.5 per cent, a change which acknowledged the 9.7 average for the first two years of the plan and the likelihood of a similar performance in

Although precise statistics are not yet available, the Bank of Thailand believes large amounts of capital have flowed into the country during the past two months as a direct result of the political uncer-tainty in China and Hong Kong. This flow has been in part responsible for the buoyancy of the small Bangkok

securities exchange. The Board of Investment has in the past nine months given approval to 60 per cent more projects than in the previous nine months. Japan and Taiwan continue to lead the

foreign investors.
The 1,230 projects approved. will, if completed, create an estimated 300,000 jobs. But this has to be seen within the context of the explosion of young people coming on to the labour market. Up to 8m Thais will be entering the labour force for the first time during the coming decade.

i aiwan investment move

made its first move against the island's massive underground investment industry by raiding two companies and impound ing their records, officials said on Thursday, Reuter reports

The Taiwan High Court prosecutor's office said investiga-tors on Wednesday questioned executives of Hua Ting Investment and an affiliated company, Kang Mao Investment, and removed their books for examination.

dollars, were forced to freeze all cash withdrawals.

from Taipei.

Investors in the companies have charged Meng Ching-hai,

fraud, the office said.

long jail terms for companies which illegally take deposits. Hundreds of thousands of panicky investors quickly staged a run on the firms in a bid to retrieve their savings. Some 200 underground compa-

ment's first concrete action since Parliament passed a new banking law on July 11. The law calls for heavy fines and

president of both companies,

and two other executives with

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The move marks the govern-

nies, some worth billions of

France and Indonesia will

jointly chair the conference, to open at 3pm on Sunday in Paris, in the same building on Avenue Kleber where the Vietnam peace agreement was con-cluded 16 years ago.

Sri Lanka curfew

Sri Lanka imposed a nationwide 29-hour curfew from Thursday midnight as agita-tion mounted for withdrawal of 45,000 Indian troops from the island and both Delhi and Colombo moved to end their row over President Ranasinghe Premadasa's deadline for them to pull out, Reuter reports from Colombo.
Official sources said Mr Premadasa summoned an emer-

gency cabinet meeting for last

night. They said India had invited Foreign Minister Ran-

jan Wijeratne to visit Delhi

today to discuss a timetable for withdrawal.

Doubt on Harare deficit plan

By Tony Hawkins in Harare THERE ARE few surprises and no significant changes in Dr Bernard Chidzero's 1989 Zimbabwe budget. The good news is that the budget deficit is projected to fall to Z\$989m (£289m) in the current year to June 1990, from Z\$1.1bn last

This brings the deficit down to 9 per cent of GDP from more than 11 per cent, but it depends on government revenue rising 22 per cent this year while spending increases only 15 per

There is some scepticism about this forecast, since it essumes that revenue will rise faster despite a slow-down in the economy's growth rate to 3 per cent from more than 5 per cent last year. This appears to be based on the shaky assumption that rapid inflation will boost revenue without a

matching rise in public spend-Dr Chidzero announced some minor income tax concessions, raising the basic abatement and adjusting tax bands. As a result, the top tax rate of 60 per cent will now apply at Z\$40,000 instead of Z\$33,000, but this does little more than partially adjust for inflation.

These direct tax concessions

drink and tobacco, with beer rising two cents a bottle while cigarettes will cost 4c more for packet of 20. While the projected deficit reduction will be welcome, the underlying budget figures

make gloomy reading. Subsi-

dies remain obstinately

are offset by higher duties on

Total public debt rises to 79

per cent of gross domestic product; the public sector salary bill absorbs 19 per cent of GDP and interest charges 8.6 per cent. Perhaps most disturbing of all is the rise in government spending to no less than 57 per cent of GDP, while taxation absorbs 43 per cent of national product.
The pattern of public spend-

ing is little changed, with edu-cation accounting for 19 per cent of the total, followed by interest charges at 15 per cent and defence at 13.3 per cent. While the standstill budget comes as no surprise, it will disappoint those who hoped Dr Chidzero would announce bold new policies designed to boost economic growth.

military activity but the reality is there has never been so little fighting at this time. The muja-hideen are in a worse position 120,000 Soviet troops left in February. They have lost much of Samarkhel, the important they captured in March, and have failed to close important supply routes, such as the Kabul-Jalahad road and the northern Salang highway to

scene for the coming months. Politically the mujahideen

publicly told his men not to fight. He explained: "If we take Kandahar there will be confu-sion and it will lead us

political disunity. The US apparently never considered the political implications of allowing Pakistan's military intelligence (ISI) to channel far more arms and aid to some parties than others, creating obvious rivalries. The fundamentalists who were the main

we have one mujahideen group stopping food going to the peo-ple while another is taking bribes to allow it through. If our interim government does not get its act together com-manders will lose hope and disappear from the jihad [war] or even change sides."

Seoul opposition feels pressure from security forces

By Maggie Ford in Seoul

PRESSURE from the security forces on the South's main opposition party, led by Mr Kim Dae Jung, reflects an increasingly robust resurgence of conservative sentiment in government circles.

Mr Rim, for years a leading dissident jailed and branded a Communist by two military regimes, heads the largest opposition party in the country's parliament, where the Government has lost its majority, and has been a prime supporter of the moves towards increased democracy.

This week, however, follow-

ing the strengthening of the right wing within the Govern-

ment, he was accused of hav-ing illicit contacts with Presi-

dent Kim Il Sung of North
Korea by the Agency for
National Security Planning,
formerly the Korean CIA.

The accusation that he wrote
to the North Korean leader follows the doscovery that a member of Mr Kim's Party for Peace and Democracy illegally visited the North last year. The parliamentarian has been expelled from the party.
The accusation against Mr

Kim was leaked in mysterious

circumstances to a government newsagency and follows a

series of other allegations sug-gesting that the PPD has ille-gal links with the North and

Police arrest Roman Catholic priest Nam Hak-hyon, one of 20 priests who yesterday to

tried to reach Panmunjom to meet a radical student who was scheduled to return home across the border village from an illegal trip to North Korea. The priests were near the northern outskirts of Seoul when they were stopped by a police roadblock, taken out of their cars and taken away in vans. Lim Su Kyong, 22, is expected arrested

One of the main platforms of South Korea's former authori-tarian rulers was staunch anti-communism in the face of the threat from the North. The US has maintained 40,000 troops in the country since the end of the Korean

war in 1953 to help deter the



But since the Government of President Roh Tae Woo took power in 1988, links with communist countries have been

with China has boomed. Hardliners in the South Korean Government have expressed reservations about he new policy, especially insogrowing.
Diplomatic relations have far as it applies to North been established with Hungary

Efforts to change the and trade offices have been national security law, making contact with the North a capiopened by the Soviet Union, Poland and Bulgaria. Trade

tal offence, have failed but all South Koreans who illicitly visit the North have been

arrested.
They include the Rev Moon
Ik Hwan, a protestant minister.
Miss Lim Su Kyong, a student
and Father Moon Kyu Hyon, a Catholic priest, both presently in the North, are expected to be arrested on thier return.

The security forces now appear to be focussing their attention on any links that might be found between Oppo-sition politicians and the Mr Kim, who has suffered

such attention in the past, has refused to cooperate with the investigators because he believes they are trying to persecute him and his party and to interrupt the country's transition to full demogracy. sition to full democracy. He has demanded an apology from President Roh, the dis-missal of the new head of the NSP appointed last week, and

the punishment of those responsible for leaking the accusations, which he strongly The party is holding an indefinite protest sit in and has called a mass public rally in ten days time to try to force the government to back down. Mr Kim has received guarded support from media

and public opinion, especially

the younger generation,

S Korean surplus falls to \$2.5bn

SOUTH Korea recorded a current account surplus of \$2.5bn in the first half of 1989, less than half the figure for

sz.5bn in the first half of 1989, less than half the figure for the comparable period last year, writes Maggie Ford.

Exports registered an average rise of 7 per cent while imports grew by 19 per cent for a trade surplus in the first six months of \$2.01bn compared with \$4.5bn in the same period last year.

The figures reflect Government policy to reduce the trade deficit in the face of strong pressure from the US, combined with strong domestic demand. In June the trade surplus with the US dropped from \$774m a year ago to \$324m this year.

Sonth Korea was able to avoid being listed under the Super 301 trade bill after showing evidence of its policy to boost imports and reduce export growth.

export growth.

Exporting companies, especially in low tech areas such as footwear, toys and simple electronics have also been hit by the appreciation of the won

and labour disputes.

For larger companies however, higher wages have increased domestic demand, especially for motor cars and other consumer goods.

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FINANCIAL TIMES FRIDAY JULY 28 1989

A TEMPORARY increase in the ceiling on US Government borrowings was yesterday agreed by a key House of Representatives committee to allow federal operations to continue during the summer. The previous limit would have been exceeded during

August. Congressional leaders have been wont to use Treasury requests for an increase in the ceiling as an opportunity for broader debates on the administration's fiscal policy, but this time Democratic Party leaders do not want to rock

The House Ways and Means Committee has approved a \$70bn increase in the \$2.8 trillion (million million) debt ceiling until the end of October, after which it will revert to the current level.

The Senate Finance Committee had approved on Tuesday a \$60bn increase. The difference is because the Treasury decided later a higher figure was needed.

Votes will take place on the floor of each chamber of Congress next week.

After the August recess, the Senate will consider a bill to

raise the limit permanently to \$3.1 trillion, which has already een approved by the House. Mr Dan Rostenkowski, Democratic chairman of the

Ways and Means Committee, said Congress could not adjourn at the end of next week unless it had protected the ongoing operations of the federal government by temporarily increasing the public debt limit." The temporary increase

incorporates the Treasury's request that debt issues should be counted as their current accrual value, rather than at

their face value.

This change is intended to permit the Treasury to issue zero-coupon bonds, as it has in relation to the Mexican debt agreement, without producing a sharp rise in the US

Auto workers' union loses Argentine, vote at Nissan US plant

The result vote suggested that support for the UAW had

risen to a mere 30.5 per cent

company's misrepresentation,

intimidation and scare tactics.

Among the company's main

weapons in the campaign was a series of videos depicting vio-

lence in past union struggles.

Managers suggested that work-ers would lose fringe benefits and might be subjected to lay-

offs if they joined the UAW.

Nissan also failed to comply

with a Tennessee government order to reveal records on

work-related injuries, for

which failure it was fined

However, management sup-

porters said many workers had only signed the union's peti-

tion for an election under pres-

sure from UAW organisers.
Putting a brave face on the defeat, Mr Owen Bieber, UAW

By Anatole Kaletsky in New York

THE UNITED Auto Workers union suffered a humiliating its first ever representation vote in a Japanese-owned US car facility by an unexpectedly

wide margin.

The union's organising drive among the 2,400 hourly-paid workers at the Nissan Motors assembly plant in Smyrna. Tennessee, had drawn national attention as a potential water-shed in the US labour movement's attempt to reverse its

But the vote yesterday at Smyrna suggested that organi-sed labour still faces long odds in trying to win support among the politically conservative and traditionally anti-union work-ers in the US sun-belt. The tally in the secret ballot,

conducted yesterday morning by the National Labour Rela-tions Board, showed 711 workers in favour of joining the union and 1,622 opposed. This level of support for the UAW was even lower than the company's management had sup-

To initiate the ballot, the UAW had to collect signatures from 30 per cent of the plant's hourly paid workforce of 2,400. plant was "by no means at an

The vote had been particu risen to a mere 30.5 per cent after the union's two-month election campaign, which was hitterly contested by Nissan.

UAW organisers, who said that more workers had signed the NLRB petition than voted in favour of the union, blamed the surprising shortfall in their support on what it called the company's migrepresentation. larly important for the UAW because it might have opened the way to unionising other Japanese-owned plants, which are expanding rapidly in the US, largely at the expense of traditional unionised plants owned by the big three Detroit-based US auto makers. General Motors, Ford and

> US labour law would allow the UAW to demand another such election a year from now, assuming it could persuade 30 per cent of the plant's work-force to sign another NLRB

> Without committing the UAW to any timetable, Mr Bie-ber said he remained committed to work "as long as it takes" to achieve a victory against Nissan.

However, the odds against the union are likely to grow in the next few years as Nissan implements plans eventually to expand its Smyrna workforce moment.

New recruits are likely to be screened on the basis of their

president, declared that the drive to organise the Smyrna Defence debate nears climax

By Lionel Barber in Washington

THE US congressional debate over the B-2 stealth bomber has moved into a new phase, after a vote by the House of Representatives to slash funding and halt production of the radar-frustrating aircraft until the US Air Force has trimmed the \$70bn programme.

House of Representatives

members will soon meet their Senate counterparts, who have drawn up a defence bill which preserves most of the Bush administration's request for stealth funding, on condition that the bat-shaped bomber passes certain performance

This conference will determine the final shape of the bill to be presented for President George Bush's signature.

The Defence Department is pinning its hopes on senators stiffening support for the stealth programme, as well as

other big weapons projects. This week, for example, the House voted to cut almost \$2bn from the \$4.9bn requested by the administration for the Stra-tegic Defence Initiative (known as Star Wars); the Senate version includes \$4.5bn (though a much-favoured amendment provides for no more than an inflation increase, to \$4bn).

House members also unexpectedly voted to cut the administration's request for the mobile, multi-warhead MX missile by half, leaving only \$600m for research and devel-

Many members believe the MX vote will be reversed in conference with the Senate, if only because it runs against an agreement between Mr Bush and the legislative branch to keep MX funding intact, in order to strengthen the US bargaining position at the START arms talks with the Soviet

Union. Others point to several other House votes on Wednesday which showed efforts to kill the B-2 were overwhelmingly

Also, there was fairly strong support for the administra tion's argument for full funding of \$4.7 bn.

The upshot is that the game is by no means lost for Mr

However, his effort to place greater emphasis on modernisation of the strategic triad of land, air and sea-based nuclear forces – at the expense of job-preserving weapons projects favoured by Congress – is get-ting harder and harder to pull off in an era of shrinking defence budgets. Next year will be even

firmly in prospect By Robert Graham, Latin America Editor

UK meeting

POSITIVE signals from indirect diplomatic contacts between Argentina and Britain have raised the firm prospect of a meeting between representatives of the two countries in the near future.

The aim of these, the first direct talks in four years, would be to normalise diplomatic and commercial rela-tions, which were broken as a result of the 1982 Falklands

The initiative has come from the government of President Carlos Menem, which, since taking office this month. appears determined to tackle the issue by agreeing to put the controversial question of sovereignty to one side. Mr Domingo Cavallo, Argen-

tine Foreign Minister, told the Financial Times two weeks ago that Argentina was anxious to begin a new chapter with Britain. He judged the advent of a new administration in Buenos Aires as an opportune

Yesterday, a Foreign Ministry official was quoted by Reuter's news agency as saying:
"The Argentine government
has decided to begin formal
talks with Britain. It is the first time Menem has asked Cavallo to start formal contacts."

The British Government last

night declined to comment on the state of contacts. However, a Foreign Office spokesman a roreign Onice spokesman said any proposal from Argen-tina, which had to pass through third parties, would be studied with interest.

British diplomats are still trying to negotiate behind the scenes and are uncomfortable over the way Argentina is using the news media to push the pace.
Even so, it seems a decision

has been taken to explore in depth what Argentina has to offer. The appointment this week as Foreign Secretary of Mr John Major, unexpectedly taking over from Sir Geoffrey Howe, does not alter Britain's basic position — that the question of the Fells. tion of sovereignty of the Falklands cannot be negotiated. Britain would also like to see Argentina end its state of beligerence. The position of each side is well known to the other.

One of the main stumbling blocks over a meeting is the matter of a venue. Argentina has proposed Brazil, which has been looking after its diplomatic interests in London. Britain would prefer a different country, perhaps the US, communication regarding fishing in the South Atlantic.

US drug curb role

A DIRECT role for US troops in Latin America is one option in a Defence Department paper on stemming the flow of cocaine into the US from South America, AP reports from Washington. The list of scenarios, including direct action by US elite military units, will be in the strategy to be released on September 5 by Mr William Bennett, co-ordinator of the US effort to halt drug smuggling.

Blood and terror stain the left's Shining Path

Robert del Quiaro examines the weaknesses and strengths of a Peruvian guerrilla movement

HE MAOIST guerrilla movement Sendero Luminoso, which has recently raised its activity to new and yet more lethal inten-sity, is so far from the political mainstream, even that of the communist left, that its true strength and prospects of power in Peru have been hard to discern.

Even so, there are indica-tions that, for all its ability to operate across the country, and increasingly in the cities, Sen-dero is progressing as much through striking terror and through government shortcom-ings, as by inspiring unforced

loyalty among the people.

After some 15 years of studying seminal communist texts at small universities in the central mountains of Peru and agitating among mountain peasants, the movement did not experience an armed clash until 1980.

until 1980.

Since then, the military has been shifting thousands of people from their villages and crofts into wretched "strategic communities" which are readily supervised and from which pressed men and women are sent on "civil defence natrols" — peasants in front patrols" - peasants in front, military in the rear.

Many members of Sendero are hitting back indiscriminately at groups and even whole communities of peasants believed, often on scant or tainted evidence, to be collaborating with the authorities. There have been many clear failures to take into account the fact that peasants acting for the military often do so with a gun at their backs, or at those of their hostage families. By no means all the people who have been dug out of mass graves, with placards attached to them saying they are yanahuma (a Quichua epithet meaning "blackheads" that Sendero reserves for supposed collaborators), were with the military by choice.

This crude reaction is killing thousands of people and forfeit-ing the adherence of many

highlanders are opposed to Sendero, whatever lip service they pay when the comrades are near. Both the military and Sendero have lost control, except at gunpoint, of peasants they had mobilised, as the violence takes its own momentum in sequences of bit-ter vendettas with villages and roaming opportunists attacking and counter-attacking for land and flocks - as well as can levy tolls - and to settle Yet, despite its propensity

for sowing confusion, the guerrilla movement — operating in a vast area where one valley may be in coherent politicised insurrection, the next a welter of clannish skirmishing - has made progress in the last year. Sendero's strengths lie in a favourable combination of its

own efforts and the deficien-cies of the world it confronts. Successive Peruvian administrations, hobbled by a heavily

they have pitted against the movement. The racist contempt felt among white and cholo (half-caste) Peruvians towards indigenous highlanders is given full rein by some officials and military personnel of the under-funded and demoralised local and national demoralised local and national administration. Efforts at win-ning hearts and minds have been wrecked by instances of troops off the rein of account-ability and killing for the hell

In many parts of Peru, mean-while, Sendero has been quietly recruiting selected youngsters from about the age of 12 - bright kids with the susceptibility to ideals and excitement of those with noth-ing to lose — into its "people's schools" where small groups learn marxism, history, military tactics, survival on the run and first aid. The promises they hear are especially appealing in a country where mainured. trition is rising rapidly and affecting some 5m of the total 22m people in Peru.

The movement has been hit-ting much more effectively at the main arteries of the economy and government. Assassination and the threat thereof are removing hundreds of local officials, especially such experts, of whom Peru has all too few, as Wilfredo Hermoza, the agronomist in charge of the Agriculture Ministry's office at Ayacucho, Sendero's core province, who was gunned down

In recent weeks, the move-ment has hit the country's main legal export, industrial metals, by convincing or cowing miners in part of the central Andes to hold a political strike for three days. Tourism and the foreign aid presence are starting to decline under Sendero's new policy of murdering lone tourists and aid The vulnerability of Lima,

the capital, has been under-lined recently by strikes ordered by guerrillas in its food-supplying hinterland. The movement has long shown itself able to knock out Lima's electricity supply. A much stronger stranglehold will be felt if Sendero interferes decisively with the sprawling

desert city's complex water supply, which stretches for hundreds of miles through tunnels and pumping stations in

the Andes Any talks with Sendero by the government or mediators would need to overcome the problem of reaching its shad-owy leaders. Also, it seems to have no links with more pow-erful sponsors or suppliers who might be induced to influence the movement. Its weapons are taken from the Peruvian military, its explosives from the country's many mines. Its funds come from kidnap ransoms, bank robberies and pro-

tection payments. However, like most other armed forces in the Andean countries, Sendero has suc-cumbed to the temptation of living off the cocaine trade. While forcing big Colombian narcotraficantes to pay highland Peruvian cultivators more for the coca paste they make from the raw leaf, before that goes to secret laboratories for refinement into cocaine, the guerrillas also take landing fees from traffickers who use remote airstrips to fly out the

pasta de coca. These dollars may mean Sendero buying more sophisticated weapons, such as anti-aircraft missiles, on the international

So Sendero's only foreign link is, like the movement itself, outside the law and not susceptible to persuasion by anything but the barrel of a

The hard-core militants. some with the best part of 25 years in the struggle behind them and lacking any foreign bolthole to run to if defeat were imminent, can only be interested in total victory or, at least, a large role in a Peru subject to a radical redistribu-

tion of resources.

For now, Sendero is building in Peru what has long been a Latin American dream of revolution: a jacquerie in the sierra shaped by middle-class intellectuals into an alliance of communists under arms, extending to the cities through their teeming shantles - with the new fillip of a tap on the stream of cocaine-dollars.

Cii

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32 g



indebted national economy, have made a poor fist of the military and social measures

A foreign visitor staggers away from a Sendero bus bombing

J.F. PACIFIC WARRANT COMPANY S.A.

Société Anonyme 2, boulevard Royal L - 2953 LUXEMBOURG

Notice of a Separate Class Meeting of the holders of ordinary shares of a par value of US\$ 2 each ("Ordinary Shares")
in J.F. Pacific Warrant Computy S.A. (the "Compuny")

The holders of Ordinary Shares are hereby convened to attend a separate class steeting of holders of Ordinary Shares to be held at the registered office of the Company at 2, busilevard Royal, Luxembourg on 16th August, 1989 at 12.00 stoom or as 5000 thereafter as the separate class meeting of holders of zon-veting redeemable preference shares of a par value of USS 2 each convened on the same day and place has been concluded or been adjourned, for the purpose of considering and, of thought fit, passing the following resolutions which will proposed as special resolutions:

1. THAT, conditionally on the passing of Resolution 2 below:-

(a) United States Dollars nice millson (USS 9,000,000) of the realised profit of the company for the year ended 30th June, 1988 be outpitalised and credited to subscribed captual against the issue of 4,500,000 new Ordinary Shares of a par value of United States Dollars two (USS 2) cach on the second business day in London and Luxembourg following the Record Date (as defined below), such new Ordinary Shares to be distributed to the holders of Ordinary Shares in registered form on the register of incompany at close of business on 24th August, 1999 (or in the event any of the necessary Meetings are adjourned on the fifth business day in London and Luxembourg (rollowing the passing of the necessary resolutions at such Meetings) (the "Record Date") and to holders of Ordinary Shares in bearer form against production of couponts) in respect of such bearer Ordinary Shares in such manner as the board shall prescribe, in each case in the ratio of nine new Ordinary Shares in each Ordinary Share in registered form so held and/or (as the case may be) each Ordinary Share in bearer in bearer form in respect of which coupons) in/are so produced; and

"The Company has an issued capital of United States Doltars cleven million (USS 11.00.000) consisting of five million (\$,000.000) Ordinary Shares of a par value of United States Doltars (USS 2) each and five hundred thomasmd (\$00.000) Nos-Voting Preference Shares of a par value of United States Dollars vivo (USS 2) each. The 5.000.000 Ordinary Shares and the \$00.000 Nos-Voting Preference Shares have all been fully paid up by payment in cash of United States Dollars cleven million (USS 11.000.000) together with total issue premiums transferred to paid up by surplus of United States Dollars cleven million (USS 11.000.000) in respect of the Non-Voting Preference Shares.

THAT Article 7 of the Articles of Incorporation of the Company be and it is hereby amended by the deletion of the following wording appearing in the first paragraph of the said Article after the words "as prescribed in Article 26 hereof":

". provided that (as long as Non-Voting Preference Shares remain in issue) the mumber of Ordinary Shares shall be equal to the number of Non-Voting Preference Shares comprised in any such increase or reduction."

NOTE:

The quorum for the Messing is shareholders present in person or by proxy of one half of the Ordinary Shares to the capital of the Company for the time being to issue. In order to be carried a special resolution should be passed by a majority of not less than two thirds of the Ordinary Shares represented at the Meeting.

In order to be entitled to vote at the meeting, holders of bener states attacks at least FIVE clear days in advance of the Meeting at the office of the Pegistrar. Banque Internationale & Laxembourg, 2 boulevard Royal, L - 2953 Luxembourg, referred to above.

Cornes of the Circular issued by the Company to holders of Preference Shares and Ordinary Shares in connection with the above matters are available for inspection to and copies may be obtained by shareholders at the office of the Regetters during normal business hours on any weekday (Saturdays and public bolicinys excepted). Dated 28th July, 1989

J.F. PACIFIC WARRANT COMPANY S.A.

Société Anonyme 2. boulevard Royal L - 2953 LUXEMBOURG

Notice of a Separate Class Meeting of the helders of non-vesting preference charms of a per value of USS 2 each ("Preference in J.F. Pacific Warrant Company S.A. (the "Company

The holders of Preference Shares are hereby convened to attend a separate class meeting of holders of Preference Shares to be held at the registered office of the Company at 2, boulevard Royal, Luxumbourg on 16th August, 1989 at 11.45 a.m. or as soon thereafter as the Extraordinary General Meeting convened for the same day and plane has been concluded or been adjustmed, for the purposes of considering and, if thought fit, pussing the following resolutions which will each be proposed as special resolutions:

1. 171A i, conditionarily on the passing of Resolution 2 below:(a) United States Dollars nine million (USS 9,000,000) of the realised profit of the company for the year ended 30th lune, 1988 be explusited and credited to subscribed capital against the issue of 4,500,000 new Ordinary Shares of a par value of United States Dollars two (USS 2) each on the second business day in London and Luxembourg following the Record Date (as defined below), such new Ordinary Shares to distributed to the holders of ordinary shares in registered form on the register of members of the Company at close of business on 24th August, 1989 (or in the event any of the occasiony Meetings are adjourned on the fifth business day in London and Luxembourg following the passing of the necessary resolutions at such Meetings(s) (the Record Date?) and to bolders of Ordinary Shares in seach manner as the board shall prescribe, in each case in the ratio of nine new Ordinary Shares for each Ordinary Share in registered form so held and/or (as the case may be) each Ordinary Share in bearer form in respect of which coupons(s) slave so produced; and

The Company has an issued capital of United States Dollars eleven million (USS 11,000,000) consisting of five million (5,000,000) Ordinary Shares of a par value of United States Dollars (USS 2) each and five hundred thousand (500,000) Non-Voting Preference Shares of a par value of United States Dollars have (USS 2) each. The 5,000,000 Ordinary Shares and the 590,000 Non-Voting Preference Shares have all been fully paid up by payment in eash of United States Dollars aleven million (USS 11,000,000) together with total issue premiums transferred to paid up surplus of United States Dollars forty-eight million (USS 48,000,000) in respect of the Non-Voting Preference Shares.

THAT Article 7 of the Articles of Incorporation of the Company be and it is hereby amended by the deletion of the following wording appearing in the first paragraph of the taid Article after the words "as prescribed in Article 26 hereof": ", provided that (ax long as Non-Voting Preference Shares remain in issue) the number of Ordinary Shares shall be equal to the number of Non-Voting Preference Shares comprised in any such increase or reduction."

NOTE:

In order to be entitled to vote at the meeting, holders of bearer shares must depost their shares at least FIVE clear days in advance of the Meeting at the office of the Registrar, Banque Internationale à Luxembourg. 2 boulevard Royal, L. 2953

Copies of the Circular issued by the Couppuny to holders of Preference Shares and Ordentry Shares in connection with the above matters are available for inspection and copies may be obtained by shareholders at the office of the Register during normal business hours on any washday (Saturdays and public holidays excepted).

FAG Kugelfischer Continued investment in quality

Maintaining and improving the Company's performance were also the principal targets of our business policy in 1988. We have adopted quality thinking as the comprehensive concept for further increasing the high precision and reliability standards of our products, and, what is more, for achieving optimum results throughout the Company. This quality thinking is firmly rooted in our

Company. Quality planning: Computeraided systems are constantly monitoring compliance with specifications, right from the planning stage of the pro-

Quality inspection: Products and production are accompanied by inspections, ranging from the inspection of incoming raw materials to the final inspection of the finished product.

Quality control: Quality control systems ensure that deviations from standard product quality and processes are quickly identified and eliminated.

Quality in service: Our services include technical problem solutions, conscientious order processing, and

the organization are aware of their specifics of job profiles adds to their

Quality boosts performance The Company's total operating performance in fiscal 1988 rose by 8.5%, and both productivity and earnings improved significantly compared to the previous year. A large part of 1988's sizeable capital

investments was funded from internal

efficient customer support. Quality promotion: Open-minded and well-trained employees throughout responsibility for quality. Training in the

motivation and competence.

sources. The Parent Company's cash flow continued to increase. We are currently working at full capacity.

Our capital spending is designed to enhance the Company's competitive strength. Our 1989-1994 spending plan for the Group, which calls for outlays of some DM 2 billion, shows that we are pursuing this goal in a consistent manner.

At their Annual Meeting on July 27, 1989, the shareholders adopted the General Partner's proposal to pay a dividend of DM 7 per share on common stock and a dividend of DM 8 per share on preferred stock. They also authorized the Managing Board to increase the capital stock by DM 60 million.

Copies of the Annual Report are available FAG Kugelfischer Georg Schäfer KGAA. K-F, Postfach 12 60, D-8720 Schweinfurt.

Balance S	Sheet	19	988	Income Statement		88
(in million		KGaA	Group	(In millions of DM)	KGaA	Group
Assets	Tangible Assets	561	1,192	Net Sales	2,279	3,502
	Financial Assets	533	33	Change in inventories of finished products and work-in-process	_ 9	29
	Inventories	749	1,392	Company-produced additions	 -	
	Receivables	454	686	- to plant and equipment	26	55
	Liquid Funds	70	131	Cost of materials	- 817	-1,107
	Total	2,367	3,434	Personnel expenses	-1.136	-1,691
Liabilities	Equity	863	997	Depreciation/amortization		
	Special (tax-allowable) reserves	90	139	on tangible assets	- 112	- 203
	Provisions	838	1,020	Net of other operating expenses and income	- 112	- 427
	Payables	576	1,278			4
	Total	2,367	3,434	Net income from ordinary operations	109	158
			والمناولية	Net of extraordinary income	- 64	86
Vereinsba	ntisement has been approved by ink AG London Branch in accordance in accordance in the Association Limited.	ince with	the rules	Net income for the year	40	63
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Cocom eases controls on computer sales

WESTERN nations have agreed on a far-reaching liber-alisation of controls on shipments of personal computers to the Soviet Union and members

of the Warsaw Pact.
Cocom, the Co-ordinating
Committee on Multilateral
Export Controls which regulates exports of militarily sennative technology to the East-ern bloc, has agreed to relax its controls on the most widely available personal computers, including the IBM AT range and its clones.

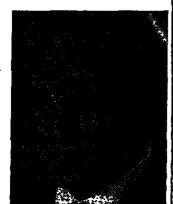
The ruling, to take effect from August 15, will make it possible for Cocom members to export most 16-bit microcompu-ters to the Soviet Union and Eastern Europe, though 32-bit machines will remain under

embargo. "This should result in significant liberalisation for these desk top, over the counter, widely available machines," Mr Allan Wendt, senior represen-tative for strategic technology policy at the US State Depart-ment, said in Paris yester

day. The US Commerce Department last week announced it was lifting restrictions on exports of these computers to other Cocom countries, since it had found that they were widely available from other sources. This decision was, however, contested by Mr Richard Cheney, the Defence Secretary, who said that the decision would give the Soviet Union significant new capabili-

Some industry analysis, however, believe that the relaxation of controls on the AT range, whose technology is now around four years old, will offer little additional opportunity for US computer manufacturers to boost their exports. Computers based on the 386 chip, including those made by Compaq and IBM, as well as most of the Macintosh range, will remain under embargo.

Some European countries had pressed for a much greater liberalisation, and the final Cocom decision represents a compromise with the tougher



Richard Cheney: decision will boost Soviet capability

wanted "to control only what needs to be controlled on strategic grounds, no more and no less," but that it was determined to protect its security by maintaining the West's techno-logical advantage over the

He added, however, that the process of updating the control lists was vital if Cocom's credibility were to be main-

tained.
"If the lists are bloated with outdated items, then you don't get effective enforcement," Mr Wendt said.

The US would also continue its efforts to liberalise exports of sensitive technology to other Western nations, he said, with the aim of phasing out almost all licensing requirements for dual use products, with both civilian and military applica-

UK, have a broad system of general export licences which places little or no restriction on shipments to other Cocom member countries, but the US still requires specific licences. Mr Wendt said Cocom mem-

hers were agreed that earlier liberalisation of controls on technology exports to China should not be reversed in the light of the recent repression by the government of the stu-dent demonstrations in Peking, but that there should be no US position. further liberalisation for the Mr Wendt said that the US

WORLD TRADE NEWS

Gatt agrees phased plan on liberalisation

THE 96 member countries of the General Agreement on Tariffs and Trade yesterday in the most ambitious attempt This 96 member countries of the General Agreement on Tar-iffs and Trade yesterday backed a three-phase plan designed to ensure the success of the Uruguay Round of trade-liberalising talks. They also accepted an invita-tion from the European Com-munity to hold the final meet-ing of trade ministers in

tion from the European Community to hold the final meeting of trade ministers in Brussels between November 26 and December 8, 1990.

By taking these decisions in the trade negotiations committee (TNC), the Round's govern—

By taking these decisions in the trade negotiations committee (TNC), the Round's govern—

added.

Doubts concerning the possible failure of the talks has been widespread since trade ministers encountered an impasse over farm trade reform at their mid-term review of the scheduled four-year Round in

so far to reinforce and extend the multilateral trading sys-tem, Mr Arthur Dunkel, Gatt's Director General, said. "We are now doomed to succeed," he

Montreal in December. Mr Warren Lavorel, US trade talks coordinator, yesterday sought to lay to rest doubts concerning the Bush Administration's commitment to the Round, by underlining in the TNC the administration's intention of seeking solutions to its most vexing trade prob-lems through the Round. Confidence in the outcome

started to revive in the last few weeks with countries submitting detailed proposals for

intellectual property rights, textiles and safeguards - temporary protective measures allowed under Gatt against sudden surges in imports. However, under Mr Dunkel's plan, governments will now be

expected to stake out their positions in all 15 negotiating groups between the resump-tion of the talks in September and the end of the year.

Japan has sent invitations for an informal meeting of trade ministers from some 20

on November 16 and 17. This is seen as an opportunity for giv-ing further political impetus to the talks.

The period between January and July or August next year will be devoted to deal making in the groups and to the writing of draft agreements, leaving the time from September to the trade ministers' meeting in Brussels for settling outstanding difficulties and putting agreements into legal shape for implementation.



A change of mood for purely practical reasons

William Dullforce on the Gatt nations' steady progress towards the liberalisation of world trade

ROSPECTS of bringing in Montreal in December, the multilateral talks on the liberalisation of world trade to a successful con-

clusion by the end of 1990 have clearly improved.

Yesterday's commitment by the Uruguay Round trade negotiations committee to a date for the final meeting of trade min-isters, and its acceptance of a three-phase plan for reaching that rendezvous with a package of agreements, reflects a change of mood from the gloom earlier this year. The setback over how to define the objectives for farm trade reform at the ministers' mid-term review of the Round

since then allowed negotiators to go into their summer recess yesterday in a much ited frame of mind.

Among these developments has been the Bush Administra-tion's decision, after some initial delay and considerable ambiguity over its intentions, to reassert US commitment to finding multilateral solutions to trade problems and in par-ticular to devote energy and resources to the General Agreement on Tariffs and Trade's Uruguay Round.

Second has been the Euro-pean Commission's drive to sort out differences among the Community's 12 members, so that it can submit detailed proposals to the negotiating groups in Geneva. Its blueprint for the reform of world trade in textiles and clothing, tabled textiles and clothing, tabled last week, is an instance of the effort being made in Brussels. The two biggest trading blocs have strictly practical reasons for accelerating the trade talks. The Bush administration has to notify Congress by March, 1991 of success in the Uruguay Round. Otherwise it would have to seek a three-year extension of its negotia-

ting authority, which Congress is unlikely to accord. Among the spate of propos-als to the 15 negotiating groups over the past few weeks have been several well thought-out contributions from developing countries. The Third World is no longer acting as a mono-lithic bloc; countries, such as Korea, Mexico and Chile, are more carefully defining their individual interests and acting to win advantage in them.

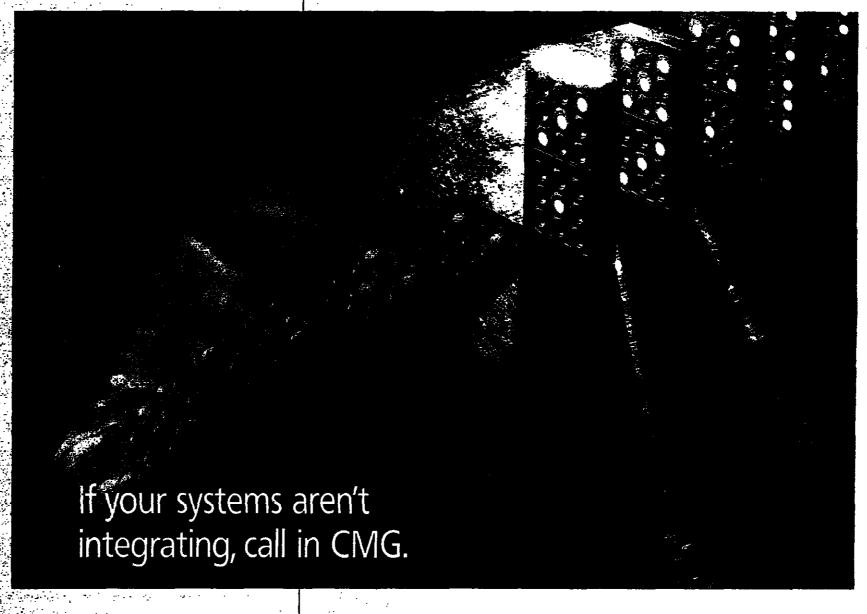
The result has been the emergence among Gatt's 96 members of a core of 30-40 countries, bridging the old north-south divide. Between them they account for some 85

per cent of world trade. They have diverging trade interests but are finding they have a common interest in securing further trade liberalisation.

Scepticism about Washington's intentions remains strong within this group. Many gov-ernments still see unilateral US trade action based on the US trade action based on the Super 301 clause of its new Trade Act as a major menace to the Round, Japan, Brazil and India have refused to enter bilateral talks called by the US under 301 and under the threat of retaliatory US action.

In the agriculture talks, Washington and Brussels are promoting different posal to submit in September. Even in the talks on intellectual property, the fillbustering has stopped with the talking by India of a cogent statement of its opposition to the big trading powers' thrust for stricter rules. All in all, therefore, the more hopeful climate prevailing in Geneva has some grounds in reality.

tabled a plan for converting import barriers into tariffs and then reducing them, while the EC wants liberalisation based on an aggregate measure for all farm supports. The Cairns group of 13 farm-exporting countries is working on a pro-posal to submit in September.



Hitachi to sell chip technology to South Korean group

By Stefan Wagstyl in Tokyo

HITACHI, the Japanese electronics group, is to sell semiconductor manufacturing technology to Gold Star, the South Korean group, in the first technology transfer of its kind between a Japanese semi-conductor maker and South

Will show Gold Star how it makes one megabit dynamic makes one meganit dynamic random access memory (DRAM) chips, Gold Star will use the technology to help develop its own 4 megalit and 16 megalit DRAMs – the new two generations of chips, which Japanese companies themselves have yet to start mass-producing. The deal highlights the

increasing ability and willingness of Japanese groups to sell technology overseas. Once condemned as industrial copy cats, they have in recent years developed ideas ahead of rivals in other countries.

They are exporting these ideas for three main reasons: to gain lucrative royalties; to cement trading relationships and to ease international trade disputes, especially in the case of technology transferred to

the US.
"In years past, Japanese companies began with foreign technologies and improved them; today they compete quite effectively with homegrown know-how," said a report published last year by the Office of Technology Assessment of the US Congress, which was examining advances in superconductors. Japanese and US scientists Japanese and US scientists argue over which country is ahead in a particular scientific field — but broadly speaking Japan has invested heavily in a few narrow areas — including superconductivity — while the

US has the greater all-round However, there is no doubt that in product development, particularly in the all-important electronics industry,

Japan has the upper hand. In the mid-1960s just 2 per cent of all US patents were issued to Japanese. Last year it was 20 per cent. The usefulness of Japanese patents has also multiplied – as measured by the number of Japanese patents which are cited in later patent applications.

As a result of improving technology, Japan's deficit in technology trade – royalties, licences and related fees – has been closing. Imports have risen from \$2.7bn in 1970 to

\$3hn in 1985, in constant prices according to US government figures. Exports have grown from \$370m to \$900m over the same years. The Economic Research Institute of C Itoh, the Japanese trading house, has forecast that by the mid-

1990s the gap could disappear. So far, most Japanese technology transfers have been to the US and to Europe, often by companies wanting to avoid being accused of running tech-nological monopolies. This is particularly true in semicon-ductors, where the US accused Japanese companies of trying to drive American groups out of business by unfair means. This dispute led to the 1986 US Japan Semiconductor Agree-Japan Semiconductor Agreement, which was a step towards creating managed trade in semiconductors. In order to ease tensions, Japanese companies have developed close links on technology sharing with American companies — Toshiba with Motorola, Hitachi with Texas Instruments and Mataushita Electric ments, and Matsushita Electric with Intel. The last two deals

were signed this year. Meanwhile, South Korea is increasingly anxious to acquire first-rate technology from industrialised countries – and those countries are willing to provide this in return for better access to the South Korean market.

Memories of the Japanes occupation have persuaded some South Koreans to avoid dealing with Japan. But most companies have long put their business interests first. These groups have often recruited lapanese engineers for post-retirement jobs, or for weekend moonlighting contracts. But increasingly they are have upgraded their contacts to full-scale company-to-company technology transfers. The Japa-nese Ministry for International Trade and Industry says that in 1987 (the last year for which figures are available) \$16 cases, worth Y27.5bn, of technology transfers to South Korea were second in value only to the US, which hought Y65.9bn of Japa-

Recent cases include the sale of manufacturing technology for optical compact disc pick-ups by Mitsubishi Electric to Goldstar Electric, Sanyo Electric's sharing of information on plain paper copiers with Sam-sung Electronics and the sale of welding-robot technology by Fanuc to Daewoo Heavy Indus

nese technology.

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UK NEWS

poll tax

forms 'may

ing an excessive amount of information, according to local government and civil liberties

The Data Protection Regis-

trar, having discovered a num-ber of community charge, or poll tax, forms have contra-

vened the Data Protection Act, is conducting a nationwide examination of forms to assess the seriousness of the situa-

Local authority leaders

believe that the impact on the timetable for collection of the

tax and on its future adminis-tration could be chaotic, and

they are urging Mr Chris Pat-

ten, the new Environment Secretary, to take action urgently to clarify the situation.

As an interim measure the Labour-dominated Association

of London Authorities and Lib-

erty (formerly the National Council for Civil Liberties)

yesterday published jointly a detailed guide to the registra-tion forms and the rights of individuals.

Two other guides will follow in the next few weeks giving guidance on the poll tax and

its collection to councillors

and local authority officers.

Mrs Margaret Hodge, leader

of the ALA, said at a London

press conference yesterday that it was "an appalling indictment" of the Govern-ment that it was being left to others to clarify the situation.

This is a role that Ministers

ought to be performing," she

The leaflet published yester-day, which will be distributed

through local councils, seeks to expose the threat to individ-

ual civil liberties contained in

some of the forms and

explains the rights people have when giving information. One difficulty has been that

it was left to individual

authorities to decide on the wording of their registration forms. Those that have

required simply the details of

Plan to charge employers for graduate recruits

By David Thomas, Education Correspondent

SENIOR university administrators are to consider a plan to cash in on the tighter graduate labour market by charging employers for each student they recruit.

The proposal, put forward by Mr John Lauwerys, registrar at Royal Holloway and Bedford College, London University, is being flercely resisted by leading employers.

Some employers say privately that adoption of Mr Lau-werys's plan could lead to a breakdown in university-employer relations followed by companies withdrawing finan-cial support such as sponsor-

ships of academic posts.

However, there is a widespread expectation that universities may try to extend the more limited charges levied on employers for events such as recruitment fairs.
These issues are being

debated within British universities just as most European countries are preparing for a much tighter graduate labour market in the face of the

Mr Lauwerys said his proposal was designed to recover the cost from employers of university careers services, which were equivalent to commercial employment agencies. "It seems odd that we should be meeting the cost of graduate recruitment services from our own resources," he said.

London University's careers service costs almost £1m a year and caters for about 12,000 students. This would imply a charge to employers of almost £100 for each student recruited, although the cost could be con-siderably higher if certain groups such as medical stu-dents were excluded.

Mr Lauwerys' plan, which has already been discussed by registrars of universities in the south, is due to be debated at a national conference of regis-trars in September. He said he would then press it on university vice-chancellors.

However, the Association of

Graduate Recruiters, representing over 500 mainly large employers, has prepared a paper attacking the plan as impractical, because it could

be illegal' not be extended to small By Richard Evans employers, the public sector or employers recruiting graduates UP TO three quarters of the without using careers services.

Ms Helen Perkins, chairman
of the association and head of poll tax registration forms sent out by local authorities might be flawed through seek-

management development at Price Waterhouse, said: "the big employers are not prepared to be treated as a cash cow." Doubts about the scheme's practicality and about its impact on the advice offered by careers officers to students are shared by the Association of Graduate Careers Advisory Services, representing university and polytechnic careers officers.

However, Ms Pat Raderecht, chairman of the association and Bristol University's careers officer, said she expec-ted to see a growth in careers' officers charging employers for

services such as consultancy.

Mr Brian Steptoe, London
University's careers officer, is
planning to seek university approval for a sliding scale of charges for consultancy services offered to companies, pos-sibly to be introduced in Octo-

'setback'

Under this system, unveiled in April, publicly funded undergraduate fees are to more than double from October 1990 to £1,675 a year to encourage colleges to recruit extra stu-

Mr Kenneth Baker, the then

chancellors now understand 1990-91 will be cut by an amount to reflect the extra fee income derived from all stuuniversity income.

Sir Edward Parkes, chairman of the Committee of Vice Chancellors and Principals, has written to the Government demanding clarification of its proposals. The letter warns that unless the Government changes tack there will be no incentive for universities to recruit extra students.

Vice chancellors believe the uncertainty could affect admissions decisions for this Octo-ber, since some universities were intending to recruit more students this year on the understanding that they would benefit from the extra fees next

Sir John Kingman, vice chancellor of Bristol Univer-sity, said: "The question is whether we can trust the Gov-

cantly expanding higher educa-tion with funds.

Dr Clark Brundin, the vice chancellor of Warwick University, who last night chaired a meeting of the financial advisory group of the vice chancellors' committee, said the mat-ter could pose "a serious setback" to hopes of increasing

never going to be achieved."

all residents over 18 in a household have contravened no law. The problem has arisen from those councils – probably a majority – that have asked for additional

> For example, some councils have asked for ratepayers' previous addresses, proposed methods of payment, and any possible business use of a

Trafford Council, in Greater Manchester, was criticised for asking about relationships same property. Subsequently the authority agreed to crase the material from its computer system and gave an undertaking not to use the information

for any other purpose.

Mrs Hodge said she believed the invasion of privacy issue was one reason for the poor response in London to poll tax registration. She estimated that on average there would be a registration of 80 per cent to 85 per cent, which would increase the burden on those that had registered.

Majority of |Lonrho must carry contempt case costs

their own costs - estimated at £1m - arising out of the House of Lords inquiry which acquit-ted them of contempt for the publication of details of the secret DTI report on the Har-

rods takeover.

At the end of the inquiry last month, three Law Lords ruled unanimously that no case of contempt had been made out. But the Lords said yesterday that publication of the special edition of the newspaper on March 30 while Lonrho's appeal to the Lords over the takeover report was pending, had called for "full inquiry" into whether those responsible had committed contempt of the

It would, therefore, be "inappropriate" for Lonrho's costs to be paid out of public funds. Lord Bridge, sitting with Lord Goff and Lord Jauncey, said it would be "quite uncon-stitutional" for Lonrho and the

LONRHO and the Observer Observer to recover payment have been instructed to pay of their costs from the Trea-

proceedings on June 12, the Observer's editor, Mr Donald Treiford, described the hearing as "a waste of time and

The costs are nearly film and now we find that no case has been made out. This is hardly justice," he sald. The special edition, of which

200,000 copies were sold, contained verbatim extracts from the Trade Department report on the takeover of the House of Fraser stores group in 1985 by the Egyptian Fayed brothers. Lonrho was the loser in the takeover battle.

The contempt charges against Lonrho, four of its directors (including Mr Tiny Rowland, the chief executive), the Observer, its editor and two Lonrho lawyers, were instigated by five other Law Lords who subsequently heard

and dismissed Lonrho's appeal against the decision by Lord Young, then Trade Secretary, to defer publication of the report pending investigations by the Serious Fraud Office. The three Lords who heard the contempt allegations said yesterday that the inference to

be drawn from the evidence was that the Lonrho directors and Mr Trelford "were pre-pared to take any risk" of the publication being condemned as contemptuous.
To achieve their objective of

publicising material which was seen as vindication of the Lon-rho campaign against the Fayeds, they made this deci-sion on the basis that the risk of imprisonment was remote and that any financial penalty imposed would be "a price

worth paying".
At the core of the contempt allegations was that the special edition amounted to "trial-bynewspaper." Lonrho and its directors took the law into their own hands.

The possibility that a professional judge would be influ-

hans

sional judge would be initienced by anything he had read
about the issues in a case he
had to try was "remote"
though, said the Law Lords.

The editorial comment in the
Observer — "however intemperate the language" — would
not have deterred Lord Young from his opposition to Lonrho's appeal, nor would it have been capable of exerting any influence on the Lords who heard

the appeal.
It would be a novel extension of the law of contempt — which was "fraught with diffi-culties and uncertainties" — to hold that direct action to secure a remedy which was being sought in court proceedings, amounted to contempt of those proceedings.

The Law Lords concluded that the Observer special edi-tion created no risk of impediment or prejudice to the pro-ceedings in Lonrho's appeal.

Onshore oil

round opens

THE Government yesterday

launched the third licensing round for onshore petroleum

exploration, inviting applica-tions to be submitted in Octo-

Applications will be accepted

for an unlimited number of

unlicensed 10 km by 10 km square blocks and allow the

recipient to carry out seismic survey and deep drilling work

over a non-extendible six-year

confer right of entry to land

and all exploration work must obtain necessary consent from

mineral planning authorities.

This has proved a complicat-ing factor in a number of

areas, where residents have

launched vigorous campaigns

opposing exploration and

development work, some-times resulting in higher

With the exception of the Wytch Farm oilfield, in Dorset,

onshore finds have tended to

be much smaller than offshore

fields. However, the lower

costs of operating onshore, compared to offshore, can still

make the finds profitable to

develop. Licences are awarded on a

competitive basis according to proposals for seismic explora-tion and drilling. In addition,

licensing

Student recruitment

UNIVERSITY vice chancellors yesterday accused the Government of reneging on an under-standing that there would be no cash limits on a new system of funding higher education designed to increase the number of students.

Education Secretary, said when announcing the scheme that the Treasury had agreed not to put a limit on additional fee income if colleges were suc-cessful in recruiting more stu-

However, university vice that their central grant for ones recruited because of the fee increase. This would ensure that the new funding mechanism has a neutral impact on

issue as a test case of whether the Government is prepared to underpin its vision of signifi-

the university population. He said: "Unless the Government sends out much clearer signals that there are additional funds going into the sys-tem, the goal of significantly increasing student numbers is Fifteen universities and polytechnics were yesterday awarded up to £1m each, over five years, to help develop enterprise skills among stu-dents in the second round of funding under the Government's Enterprise in Higher Education scheme.

Vice chancellors regard the Employers overlook older graduates

By David Thomas

employers show little interest in older graduates, even though their numbers among new graduates are increasing a report published yesterday

A survey of 117 graduate recruiters also revealed that public sector employers tended to be more open-minded about the recruitment of older graduates than their private sector counterparts.

The report was written by Miss Barbara Graham, of Strathclyde University's

New issues

MOST PRIVATE sector Advisory Services, represent- training and career developing university and polytechnic ment opportunities for mature careers officers.

Some big employers have recently launched attempts to recruit older graduates, such as the programme announced this week by Marks and Spen-cer. But yesterday's report found very few employers gave specific encouragement to older graduates.

There was particular resis-tance to recruiting graduates The report recommends

ways in which employers careers service, for the Association of Graduate Careers These include tailor-made

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graduate entrants, selection methods free of age bias and

It points to evidence that mature graduates tend to dis-play qualities such as loyalty, emotional stability and effective time management. New university graduates in the 30 to 34 age group recorded the highest percentage of first class honours degrees.

Older Graduates and

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July 27, 1989

BT and Mitel set to increase sales

British Telecom and Mitel its Canadian manufacturing subsidiary, look set to increase their share of the UK market for computerised telephone switchboards, following a relaxation of regulations announced yesterday by the Department of Trade and

Industry.
When BT acquired 51 per cent of Mitel in 1985 there were fears it would abuse its dominant position to drive other suppliers of switchboards out

of the market. The Government therefore attached stringent conditions to the acquisition, which pre-vented BT from combining its sales force with Mitel and limiting the number of Mitel switchboards it could sell at 1985 levels. These conditions hampered

BT's sales effort when the market for telecommunications equipment was being liberalised. As a result BT has lost market share to powerful groups such as GEC-Plessey Telecommunications, Cable and Wireless and Siemens of

Moreover, the Mitel purchase has been a poor investment. Intense competition in the meant that the Canadian company has only recently returned to profit after years of

These factors have convinced the Government that BT should be released from the most important Mitel conditions - those limiting sales levels and stopping joint sales efforts - but other conditions, for example that preventing cross subsidies, will remain.

Macarthy loses legal fight with rival

By Raymond Hughes, Law Courts Correspondent

MACARTHY, the wholesale and retail chemist group, has failed to get a temporary High Court order stopping its rival Unichem, the co-operative pharmaceuticals distributor which is to be floated on the Stock Exchange in the middle of next year, going ahead with its latest customer incentive

The scheme includes offering new customers £1 shares which Unichem estimates will be worth about £22 after flota-

Macarthy complained the scheme would have drastic continuing profitability and might destroy its remaining

Mr Justice Aldous accepted

yesterday that refusal of a temporary injunction might well cause substantial damage to Macarthy. But, he said, equivalent damage would be caused to Unichem if an order were granted.

The solution, the judge said, was to have an early trial of the action in which Macarthy alleges that Unichem's scheme is anti-competitive and infringes Article 85 of the Treaty of Rome.

He said that damages would then be more easily assessable. The trial judge would be able to look at a few months' trading by the two companies after the introduction of the new proposals, which would help him decide their effect on Macarthy and whether they breached Article 85. Earlier customer incentives planned by Unichem were outlawed in May by a Monopolies and Mergers Commission rul-ing that they amounted to an

anti-competitive practice against the public interest. Macarthy claimed in court that the new proposels, which passed the scrutiny of the Trade Department last month, were designed not only to attract more retailers but, by increasing discount incentives, to increase retailers' business with Unichem, reducing the business done with Macarthy.

Mr Nicholas Ward, chairman and chief executive of Macarthy, said yesterday: "We have achieved the bringing forward of a speedy trial."

holders of old-style exploration licences will be given the

opportunity to convert them to new exploration licences, which confer rights to engage in deep drilling. If oil and gas are discovered operators must subsequently apply for an appraisal licence and if warranted, would need to obtain permission for devel-opment. This is in addition to satisfying local authorities

over planning legislation. The Government recently completed the 11th round of offshore licence awards following intense interest from the

international oil industry. The onshore round is unlikely to attract the same degree of attention, and smaller companies are likely to play a more prominent role.

County NatWest control strengthened

NATIONAL Westminster Bank has moved to strengthen the board of the direct holding company of County NatWest which has suffered severe criti-cism in the last week over its handling of Blue Arrow's

5837m rights issue. Two further directors have been appointed to the board of NatWest Investment Bank — Mr John Chiene, chairman and chief executive of the bank's securities arm, and Mr Donald

Macpherson, the head of its current role only on Tuesday corporate advisory division.

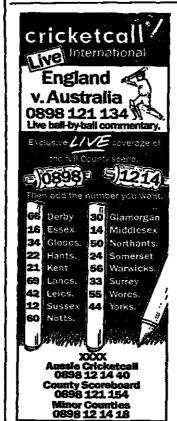
The appointments appear to Reed, had resigned over his answer criticisms that Nat-West did not have people with specialist skills at senior enough levels within the bank. NWIB's board was strength-ened earlier this year with the

appointment of three NatWest non-executive directors and County.

Mr Macpherson took on his

one executive director from

involvement in the Blue Arrow affair. He is a former senior partner of Fielding Newson-Smith, a broking firm acquired by the bank prior to Big Bang. Mr Chiene was formerly in charge of Wood Mackenzie, another broking firm acquired by the bank, this time in an attempt to strengthen its flag-



Saturday Please contact Gavin Bishop on 873 4780 or Sara Mason on 873 3308 For further details nless write to Financial Times. Number One Southwark

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UK NEWS

Change to four lanes 'could ease M25 congestion'

ROAD MARKINGS on the busiest parts of the M25 London orbital motorway should be changed from three standard-size lanes to four nar-row ones to ease congestion, an independent report

suggested yesterday.
The report, commissioned from the transport consultants Rendel Palmer & Tritton by the Transport Department, says the M25 has fulfilled its purpose of taking traffic away from central London and surrounding towns and villages.

However, "unprecedented sustained economic growth" has also led to a rapid rise in vehicles using the road, which could not have been foreseen when it was designed and

The report says most of the M25 will have to be widened to four standard lanes within ten years to deal with congestion. Narrow lanes would help solve the immediate problems in the worst affected sections, some of which are handling double

their design capacity of about 70,000 vehicles per day.
The offside, or "fast," lane would be for cars only, and there would be a 50mph limit on the four-lane sections. The report says a review of orbital roads inside and outside the M25 should be launched to improve alternative routes, and calls for a range of traffic management measures to speed vehicle flows.

The report rules out radical solutions such as increasing the motorway to five lanes in each direction, and a second motorway parallel to or above the existing route. The double decking of the M25 was proposed last year by Costain, the construction group, as one of a number of long-term answers to congestion. The report says this would be "especially costly, environmentally obtrusive, and disruptive to traffic on the existing motorway dur-

on the existing motorway dur-ing construction." The Government has already announced plans to expand most of the motorway to four standard lanes in the long term, although it is not clear when this work will be com-

However, the Government's plans contrast with another recent report by the Institution of Civil Engineers, which con-cluded that traffic congestion is now so bad that it cannot be

solved by road building.

The institution said there was "no possibility" of solving congestion because of the 10- to 15-year lead time for transport infrastructure projects.

The most that could be because of the board for transport that the board for the boar hoped for was that the level of congestion could be contained, and then only if transport plan-

to make the best use of buses and trains. M25 Review; Summary Report; HMSO; £5.70.

ning was properly co-ordinated

Docklands yuppies are beached for the duration

Andrew Taylor on how the decline in property values has devalued what seemed sound investments

Isle of Dogs/Enterprise Zone

HE MAN from the local authority called as we were being shown around the flat overlooking part of the former India Millwall Docks. The wharves which once housed cargo vessels from all over the world now provide moorings for the rich, and would-be rich, to bether their boxts.

The rates on the flat, like the mortgage, had not been paid and the man from Tower Ham-lets council was checking to lets council was checking to see the property really was empty. The one-bedroom flat had been bought a year ago for almost £93,000 by a "young man employed in the City," according to the estate agent trying to sell the flat, which had been repossessed by a building society.

It is currently on the market

It is currently on the market for just over £91,000 but is likely to go for less. The origi-nal buyer, after solicitors and estate agents fees, is likely to have lost at least £5,000, unless the society finishes by footing

Stories like this are common in London's former Docklands.
Two years ago this was one of
Britain's fastest growing housing markets — but it was
stopped dead in its tracks by stock market collapse in October 1987.

On Wednesday Kentish Property Group, heavily involved in residential development in

sell at a big profit as house prices rose sharply. The Docklands housing mar-ket therefore was one of the Docklands, sought protection in the courts from its creditors by applying for its affairs to be run by an administrator under the 1986 Insolvency Act. The first to suffer when share group's shares were suspended last week at 61p, valuing the company at just over £10m.
The shares peaked at 342p five days before the stock market crashed.

London Docklands

Part of the strength of the Docklands market, up to that time, was the perception that City stockbrokers and cur-rency dealers, their pockets stuffed with cash, were flock-ing to buy cheaply priced homes on the Isle of Dogs to Rises in mortgage interest rates and the ending last summer of multiple tax relief on single properties added further to the problems facing the Docklands housing market. Mr Peter Clapshaw, chair-

man of Clapshaws, a national firm of estate agents, which started life in Docklands says: "Prices have fallen by between 15 per cent and 30 per cent

prices fell sharply and securi-ties companies started to layduring the past 12 months.

Agents in this area in a reaoff City employees. House prices in other parts of London and south-east England continued to rise for almost another 12 months after the crash. sonable market would expect to achieve 16 to 20 sales a month; up to 25 a month in a very good market. Some estate agents are now lucky if they are making one sale a week."

Kentish Property has debts of about £65m including a £26m loan from Halifax Building Society to develop Burrells Wharf, a partly completed 343-flat project plus shops, offices

and leisure centre on the Isle of Dogs, its last balance sheet showed shareholders funds of

live in but to sell profitably.

One of the company's most spectacular Dockland develop-ments was Cascades a large appartment block on the Isle of Dogs. Before the stock market crash some of the flats in Cascades had been sold several times over before they were completed and the first owner moved in. The flats were not to When the housing market fell, some Docklands buyers preferred to forego deposits of 10 per cent rather than com-

plete purchases and be faced with the problems of finding a buyer. Some probably could not afford the property in the first place but had hoped to make a quick resale profit.

"The problem with Dock-lands was that it became terri-bly over-heated by all the talk of yuppies and Porsche-driving City brokers bidding up prices which at one stage were approaching those in Chelsea and Knightsbridge," says Mr

Clapshaw. "Prices and sales will recover. There are still a lot of attractions to living here. It is still quicker to get to the City from Docklands than from a comparable distance to the west of London."

According to the London Docklands Development Corporation, the proportion of pri-vately owned homes in Docklands since 1981 has risen from 5 per cent to more 44 per cent due to a combination of new development, flat conversions and council house sales under the right-to-buy legislation.

This has not proved popular with all local residents, judged by graffiti such as "Yuppies Out" and "Class War" which still appear on walls and buildings. Perhaps most sad of all is the former docker who hates the massive redevelopment taking place in the docks but is unable to to find a buyer for his home so he can move away.

J.F. PACIFIC WARRANT COMPANY S.A.

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Luxembrarg following the pushing of the necestary resolutions at such Meetingshi) (the "Record Date") and is holders of Ordinary Shares in bearer form against production of coupons(s) in respect of such bearer Ordinary Shares in such manner as the board sha prescribe, in each case in the ratio of miss new Ordinary Shares for each Ordinary Share in registered form so held and/or (so the case may be) each Ordinary Share in team form in respect of which coupon(s) is/are so produced; and

"The Company has an issued capital of United States Dollars eleven million (USS 11,000,000) consisting of five million (\$,000,000) Ordinary Shares of a par value of United States Dollars Shares of a par value of United States Dollars two (USS 2) each. The most preference two (USS 2) each. The \$,000,000 Ordinary Shares and the \$00,000 Non-Voting Preference Shares have all been fully pend up by payment in cash of United States Dollars eleven million (USS 11,000,000) together with total issue premiums transferred to paid up surplus of

THAT conditional on each of the separate class mostings of holders of Ordinary Shares and Preference Shares convened for 16th August, 1989 passing Resolution 2 to be proposed at each such Meeting, Article 7 of the Articles of Incorporation of the Company be said it is hereby amended by the deletion of the following wording appearing in the first paragraph of the said Article after the words "as prescribed in Article 26 hereof":

wided that (as long as Non-Voting Preference Shares remain in issue) the or of Ordinary Shares shall be equal to the number of Non-Voting Preference communication may such increase or reduction." NOTE:

e quorum for the Meeting is shareholders present in person or by proxy of one for the Shares in the capital of the Company for the time being in issue. In order be carried a special resolution should be possed by a majority of not less than two risk Shares represented at the Meeting.

Copies of the Circular insued by the Company to holders of Preference Shares and Ordenery Shares in connection with the above matters are available for inspection and copies may be obtained by standarden at the office of the Registers during normal business hours on any weekday (Saturdays and public holidays excepted).

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FINANCIALTIMES

Poison food cases prompt wider legislation

GAPS in British legislation designed to protect consumers from unfit and contaminated food are to be filled by new legislation which will be intro-duced as soon as parliamentary time allows, writes Chris-topher Parkes, in London. Plans unveiled in a White

Paper (policy document) published yesterday, include the compulsory registration of premises selling food and increased powers for trading standards and health officers. breaks caused by various sel-monella organisms, and the release of official figures which show the number of incidents.

increasing rapidly.

Broadly, the proposals appear designed to plug gaps in existing laws to ensure that the entire food chain is covered by leading the contract of the contr by legislative controls. The main impact of the measures will be to impose enforceable controls on food before it reaches the shops and to allow suspect supplies to be withheld by trading standards or environmental health officers while

be registered in future to help local authorities fulfil their enforcement role. Laws will also be adapted to allow officials to shut shops and cafes that present a health risk more

quickly than at present.

Ministers will be given powers to issue emergency orders to deal with potentially serious problems such as accidental contamination, Mr John Gum-mer, Minister of Agriculture told the House of Commons

food manufacture. The legislation will also enable ministers to establish training requirements for people handling food commercially.

This might greatly increase the cost burden on manufac-turers, distributors and retailers. It could also complicate their already substantial difficulties in finding and keeping

Consumer representatives and health and trading stan-dards officials gave a mostly guarded welcome to the food

truths. You would never believe "You would never believe that the Government had failed time and again to tackle food crises swiftly and effectively," said Mr Derek Prentice, head of campaigning.

Lord Ezra, president of the Institute of Trading Standards Administration, said the document was a step in the right direction, but the Govern-

direction, but the Govern-ment's resolve would be mea-sured according to its willing-ness to make available funds for local authorities' enforcement efforts.

fruit, there is concern over the risk of scald, the apple's equiv-

alent of sunburn. Holidaymakers, already

deterred from travelling abroad by airport delays, have been further encouraged by the

fine weather to cultivate their tans in the UK. The English

Tourist Board reckons July

bookings could be 20 per cent up on last year. Wherever they have been in

search of relaxation, trippers with long memories may return in a state of some ten-

sion, concerned about the con-dition of their homes. Insur-

of workers abandon ports strike

Hundreds

By Michael Smith

THE FUTURE of the national docks strike is in the balance this morning after hundreds of dockers at Britain's biggest port returned to work yester-day and others in the country

day and others in the country are preparing to follow.

Although there will he strong calls at a national dockers' meeting this morning for abandoning the strike. Mr Ron Todd, general secretary of the TGWU transport union, was thought last night to be considering ways of maintaining the action.

One possibility is that the national strike will continue but that dockers will be given dispensation to hold local

dispensation to hold local negotiations in individual

Such a formula would help the union and dockers to save face, although it would be an acknowledgement that the aim of the strike-negotiating a national deal to replace the abolished National Dock Labour Scheme which regu-lated employment and conditions in most British ports
– was unachievable.

However, dockers' leaders will be under pressure to call an orderly return to work by all strikers.

Some union officials fear that the unco-ordinated drift back to work at ports during the last few weeks means it will be extremely difficult to establish any semblance of common terms and conditions

The London port of Tilbury said yesterday that all 493 former registered dockers who were asked to return to work under new contracts had done so yesterday.

The port is Britain's biggest and its dockers were among the staunchest in favour of the

Their resolve was broken after management threats this week that they would lose both their jobs and redundancy packages of up to £35,000.

The National Association of Port Employers (Nape) said yesterday, that 2,542 former registered dockers had left the industry and taken voluntary redundancy, 4,247 are still on strike and 2,432 are working.

UK NEWS

yesterday. Health officials will be able Plans for new legislation have been pulled together in the past few months following a series of food poisoning outproposals. However, the Con-sumers' Association described to control contaminants and investigations take place. Food premises will have to residues which may arise from bad practises on the farm or in Analysis, Page 11 the document as verbose,

Britons simmer through long, hot summer

Tempers are wearing thin, but sales are building up, reports Christopher Parkes

Summer shortages, the predictable results of Britain's unpredictable weather, are beginning to blie. Cows are short of grass; soft drinks canners are filling three shifts a day and still not meet-ing demand; the retail group Marks and Spencer has sold out of flimsy summer gear, and the people are running out of

Relate, the 1980s version of the Marriage Guidance Coun-cil, reports a sharp drop in tol-erance levels and a 15 per cent increase in inquiries from dis-traught partners at a time when business is normally quietening down before the sum-

mer break. The explosive combination of high temperatures and frus-tration among strike-hit com-muters may, however, be defused by offering the wildeyed fiend arriving home from work "a little space and a long, cool drink," Relate advises. The hottest summer since 1976 has brought out aphids and statistics in record num-

hers. ICI, Britain's biggest chemicals group, has pumped up pes-ticide output four-fold and still cannot cope. Coca-Cola & Schweppes Beverages says demand in the past two months has been 20 per cent higher than forecasts which had already allowed for increases of up to 15 per cent

on last year.

Like Britvic, its arch-competitor, it has been shipping extra gallons from continental Europe. Perrier, the mineral water bottler, reports some



Children on a London street take advantage of a chance to cool down at a public water hydrant

l'eaucal shortages in the UK, but claims that Source Perrier, fount of all supplies, flows undiminished.

Birds Eye Wall's, ice cream market leader, is too hot and bothered to count the latest tally, but by the end of June sales were already 20 per cent ahead of target.

Like its rival, Lyons Maid, the Allied-Lyons subsidiary, it reports even greater sales of "impulse" ices — hand-held products which children tend to regard as skin treatments rather than foodstuffs. Lyons says sales of ices in the week

of July 14 were 94 per cent higher than in the same week last year.

The Allied part of the group, one of the biggest brewers in the country, claims beer sales only 7 to 9 per cent ahead of last year and Whitbread reports a 5 per cent increase in the past two weeks. Pubs, how-ever, are packed, and while drinkers may be increasing their alcohol intake only mod-estly, strong sales of low-alcohol beers and soft drinks are

being recorded everywhere. Farmers, renowned for their sunny optimism, are starting

to feed cattle on last year's left-over silage as pastures wither, and are concerned that they may have to let them eat cake and other expensive man-

ufactured feed. Some spring barley crops have been ploughed into the fields because lack of moisture led to poor germination, but there is consolation to be found in the higher prices already being offered by maltsters fretting about shortages.

Plum lovers should be warned that the crop is sparse and although apple orchards are bowed under a profusion of

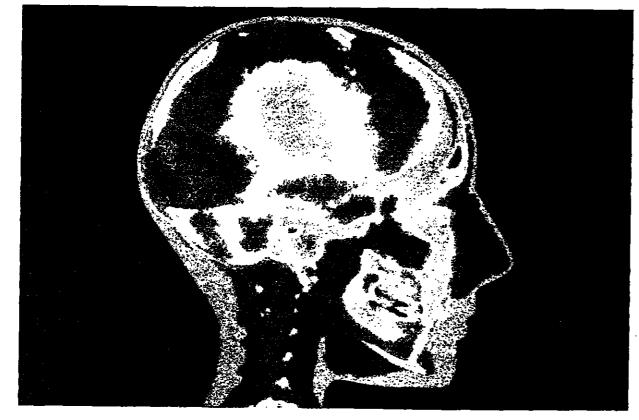
ance claims paid to repair damage to houses caused by subsidence rose from 4,000 in 1975 to 21,000 in 1976. Houses underpinned then, or those built since to tighter regula-tions, should present no prob-lems. In any case, the Building Research Establishment says, conditions are not yet as severe as in 1976.

Should any cracks appear homeowners are advised not to panic; many will close up natu-rally once normal moisture levels are restored.

This is much the same advice as the hard-pressed counsellors at Relate have been offering their over-wrought clients - and will be offering again when the sum-mer holidays end.

One of Relate's more predictable peaks routinely appears in September, when couples stressed beyond bearing by the pressures of spending a fort-night's holiday in close proxim-ity to one another, come in search of guidance.

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working environment, as well as saving an estimated 500,000 therms a year compared with other systems.

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> a saving of 31%, by THE GEMAWARD replacing two centralised oil-fired boiler houses with localised gas boilers.

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ROYAL AIR FORCE

MANAGEMENT

ne thing West Ger-many's biggest companies are not short to a senior Bundesbank official, 98 per cent of corporate investment last year was financed by companies' own funds, with a mere 2 per cent coming from outside sources like bank loans.

German laws which allow companies to use pension fund contributions to finance their investments partly explain their present independence from their banks. And last year's favourable economic climate, which is now being reflected in a string of record corporate results, boosted profitability and helped to build up corporate cash mountains. ranging from the DM24bn Everest at Siemens to around DM15bn at Daimler-Benz and DM6bn at BASF.

But what do leading German companies do with their money? US and UK critics often accuse the "ultra-conservative Germans" of simply squirrelling away their grow-ing liquidity in risk-free long-term domestic government bonds, which they then forget about until maturity. "Riskier" alternatives, such

as foreign currency investments, property or even domestic equities are spurned, despite the higher rewards often available, it is claimed. And derivative instruments like futures and options, which could be used either for speculation or just hedging, are said to be anathema.

Siemens, the electrical and engineering giant, is often singled out for such attacks on account of its massive liquidity, sluggish internal growth, and, until its joint bid with General Electric Company for Plessey, its aversion to any

form of hostile takeover. While German companies are undoubtedly more cautious than their UK or US counterparts, the evidence points to heir not being as complacent as their foreign critics suggest. And Siemens turns out to be one of Germany's most enterprising groups when it comes

to managing its money. Ronaldo Schmitz, the highlyregarded 51 year-old finance director of BASF, Germany's biggest chemicals group, says he has three maxims regarding liquidity management: money is invested only in Germany, only in D-Marks and only in instruments which allow maximum ease of access at short notice

That could be a credo for much of corporate Germany. International experience and Cash management

Ready access and limited risk

What to do with their enormous liquidity is a challenge facing many West German companies. Haig Simonian finds that anything less than conservative is generally considered anathema

increasing financial sophistica-tion notwithstanding, most German financial executives in the corporate sector prefer to stick to their domestic cur-

The preference is hardly surprising. Big German corpora-tions have become increasingly active abroad, but the bulk of their industrial investments remains domestic - requiring DM funds. And the domestic currency is still the one most closely followed and best understood by corporate treasurers, however gifted linguistically.

Some companies have diversified their approach to invest-ment policy. Siemens, so often derided as the arch-cons tive, has placed some of its cash in US dollar bonds as well as smaller holdings in Japanese and French equities too. The company has no fixed

rules on the currencies in which it invests. "It so happens that the bulk is in D-Marks," says Klaus Müller-Zimmermann, the executive vice president in charge of its central finance department. "We have a certain policy as to how much should be kept in D-Marks, but this is flexible. There is nothing monolothic about it; it's not engraved in

"Despite its relatively low interest rates, the D-Mark had the highest yields for a number of years thanks to currency appreciation," he explains.
"The overall plan is to have a high yield and to limit the risk. That may sound contradictory, but if the amount is big enough, it's not.'

Siemens also stands out for its willingness to invest some funds in equities - in sharp contrast to most of its big counterparts. While the sheer bulk of its liquidity obliges it to spread its funds over a wide range of investments, the decision also reflects a more entre-preneurial attitude to managing its money. By contrast, BASF and

Daimler-Benz are much more typical of German industry. Apart from stressing the domestic currency, both are also extremely cautious when it comes to their choice of investment instruments.



BASF's domestic bond portfolio is limited to top-class issues in which there is maximum liquidity. Likewise, its fixedterm cash deposits are on relatively short maturities, with

the stress on ease of access. Daimler Benz, which is already Germany's biggest industrial company with sales of over DM74bn, is even more liquidity minded 'Kasse macht Sinn" (cash

makes sense), says Hans Adams, a senior executive in Daimler's finance department who spouts homespun Swabian idioms to underline the group's money management policy. With a string of opportunis-tic acquisitions like AEG, the

electricals group, Motoren- und Turbinen-Union (MTU), the engines group, and Dornier, Germany's second biggest aero-space concern, behind it, Daimler's corporate philosophy dictates that liquidity should stand at the disposal of group investment strategy, explains Adams. That strategy is likely to be re-emphasised should its plan to buy Messerschmitt-Bölkow-Blohm (MBB) finally be given government approval after many months of uncer-

"It is not our money which

makes us think about our industrial activities, but it is our industrial activities which make us decide what to do with our money," he says.

This credo of subsuming finance to industrial strategy is probably the touchstone for German industry in general. Treating cash management as a separate activity or profit centre, which can have some existence independent of the group's main industrial thrust, is rare on the corporate scene.

rue,liquidity manage-ment is important, with treasurers looking for high yielding and secure investments, but liquidity management is generally perceived as being an activity to serve the company's industrial strategy rather than perform spectacularly in its own right. Solid performance and limited risks are the names of the

The fortunes of companies which have behaved differently are often cited as justification. Volkswagen, which in 1987 lost DM473m through a fraudulent foreign exchange scam, is the name most often mentioned. VW ran a large, independent and, until the forex affair,

department, which used to trade foreign exchange in high volumes on its own account as an independent revenue-generating activity within the group. Under its current finance director, Dieter Ullsperger, VW has kept its reputation for being one of corporate Germany's most professional

money managers. But the freewheeling days of its forex department, when it was more active in the forex markets than many big banks, are over. Yet even German companies with a highly conservative approach to liquidity manage ment can have different priorities. Fungibility is the key theme at Daimler. "It's a central part of our financial strat-

to have liquid funds avail-

Liquidity goes before profit-

emphasises Adams.

That may explain why Daimler had an overall yield of about 6 per cent on its funds in 1988, compared with the DM1.8bn - approximately 7.5 per cent - return generated at

But while many German corporations are clearly willing to forsake some yield in return for what they see as greater

flexibility, even Siemens' stress on yield has its limits although for somewhat different reasons. Consistency in the group's annual investment earnings is almost as important as yield, explains Müller-Zimmermann. "We're looking for relative stability in trea-

sury's contribution to the

profit and loss account," he The rationale is simple Investment income provides such an important contribution to group results that wild gyrations from one year to another are undesirable, as they would upset the consistent trend in corporate earnings that Siemens likes to show, in line with much of corporate

Germany Outright profit maximisation could be the priority for com-panies with smaller cash mountains, says Müller-Zim-mermann. "But here, our contribution to overall results is so important that we have to ensure stability over the

That stress on consistency may help to explain Siemens' unusual openness by German standards to concepts like futures and options. For most of its counterparts, such tools, which are increasingly accepted in corporate boardrooms in other countries, are often still seen as expensive and unnecessary gimmicks.
"We will use anything to

improve the yield of the portfolio, whether it's futures, options or swaps," says Mill-er-Zimmermann. "We feel these are legitimate instruments to improve yield." However, even a sophisticated investor like Siemens restricts the use of derivative

instruments to hedging its underlying cash portfolios. "We would have some hesita-

tion buying without an under-lying portfolio," comments Müller-Zimmermann. Thus while the group uses derivatives to hedge its equity and interest rate risk, it is hardly active in precious metals futures, and wholly absent

commodities. The very mention of futures and options brings down the shutters at Daimler and BASF. Adams is even highly sceptical

of "heavily-marketed" instru- | Management ments like the currency options offered to him by US

hanks in Germany. Is the blanket objection to derivative instruments not strange in view of the company's conservative attitude to liquidity management? Neither Daimler nor BASF touches bonds with longer maturities than five years. This is in order to protect against interest rate risk and to ensure liquid mar-kets should it need to sell out

Yet neither company has considered using hedging instruments like futures and options to cover their interest rate risk. True, it is less than a year since German government bond futures started trading in London. But next year, they will become a key part of the product range at the new Deutsche Terminboerse, Ger many's planned new financial futures exchange.

Such corporate indifference towards derivative instruments like bond futures is hardly promising for the DTB. But companies' apathy towards equities promises even less for the many bankers and stock exchange officials who are now trying to promote a change in German law in order to encour-age companies to invest more of their spare cash in German

With some DM200bn in pensions contributions available in total, even a small increase would enliven the domestic bourses, which still depend very heavily on foreign inves-tors, and stimulate their development compared with more active foreign equity markets, say the bankers.
"How would it help our

workers is the key question," says Schmitz. "I don't see what industry would gain from it. If we could earn more from investing in equities than by other forms of investment. then it could be attractive." However, like many of his coleagues, he draws attention to the poorer long-term performance of German equities than the domestic bond market over

Daimler's Adams is even more adamant in his refusal to buy shares. Not only would the company face market risk, but there is also the danger of insufficient liquidity - meaning a poor market or depressed prices - should it need to sell out quickly, say to finance a new acquisition. For all its willingness to innovate, not even Siemens, which has some DM1.6bn invested in domestic equities, is much more encourabstracts

Overseas blues. P Morgan in Accountancy (UK), Jan 89 (3 pages)

Warns against some of the pitfalls of accepting a work contract abroad where, if one leaves within a certain time, costs of recruitment, transportation, hotel accommodation immigration, and health costs can be repayable. Considers that changes in culture, work environment and climate can cause problems unforeseen at the time of acceptance. Written from the personal experience of the author who worked as an audit supervisor in Sydney and broke the contract after six months

Auditing your customer service activities. J.I. Coppett in Industrial Marketing Management (US), Nov 88 (8 pages).

Using the term "auditing" in the US connotation of "reviewing with the aim of improv-ing," looks at the manifold aspects that can be considered now that the economy's emphasis is moving to service and customer expectations are rising. Stresses that suppliers do not always understand what their customers' expectations really are, and provides a categorisation of customer service requirements. Points made are illustrated from real life, such as the "cool" (free-phone) line of a DIY company on which technicians help customers with minor repairs of the prod-

What American Express did. J Stevenson in Direct Marketing (US), Nov 88 (4 pages)

A case history of the experiences of American Express with direct mail, beginning in the late-1970s when each department independently ran its own campaigns: reports how things changed after the discovery that 1m pieces of mail were being issued every day. First, recipients were given repeated opportunities to be removed from the lists; then came the introduction of two control techniques: a classification of potential recipients in ten categories of propensity to buy, leading to decisions on which categories to drop; and a costing procedure based on a notional charge to each "customer" for each piece sent.

TECHNOLOGY

ability.

te company which a carrot growing underground and a stream from the inside of a pike's mouth has to be ready for the unexpected to happen - and to make sure the camera stays in focus when it does. The genesis of Oxford Scientific Films' latest project is a fine example of how things

move in the mysterious world of film technology. Peter Parks, a founder director of Oxford Scientific Films, was on an aeroplane reading about a \$50m project to make a film about Earth-threatening activity on the face of the Sun. Called Solar Crisis, it was due to start filming in the autumn. The plot required a rocket to fly to the face of the Sun and fire anti-matter at the flares on

Parks found the item eyecatching for a number of rea-sons. First, being a scientist, he had keenly followed reports about the real-life solar crisis, which has caused electricity failures in some parts of Europe. The reason for this is that every 11 years the Sun enters a phase of intense activ-ity, which leaves it covered in sunspots and prone to eruptions of particles and X-rays. Second, he noticed that the company which was to produce

the \$50m film was Los Angeles-based Boss Film Corporation, a special effects group which did the feature films Ghostbusters and 2010. Richard Edlund, a founder director of the company, hap-pened to be a friend of Parks -

pened to be a friend of Parks — as well as a competitor.

As soon as Parks returned to OSF's bosky Oxford headquarters, he called Edlund in Los Angeles. "How," he asked, "are you intending to simulate and film these galactic events on the surface of the sun?"

Edlund said he had no idea.

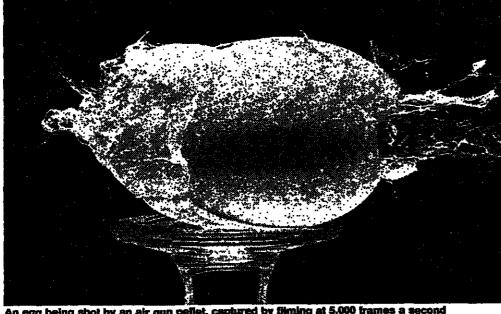
Edlund said he had no idea, so Parks offered to collaborate. The timing is opportune: OSF last week announced a man-agement buy-out from Colum-bia Pictures and Anglia Televi-sion, which, for all the gains in terms of independence, did put at risk both the stream of commissions from these shareholders and a source of investment. A more critical factor in

Parks's call was the expertise he felt OSF could bring to the demands of the plot. OSF had pioneered a method of simulating the solar surface by pump-ing dyed, illuminated yeast towards the camera lens - all within an eight of an inch -creating "extraordinarily

explosive effects."
Using such commonplace household substances as curry

111m maker tocused on trouble-shooting

Rachel Johnson reports on a UK company with a forte for capturing natural phenomena



An egg being shot by an air gun pellet, captured by filming at 5,000 frames a second

powder, milk, alcohol, sugar and salt. OSF will be able to minic the script's cosmic explosions by dropping single cells of yeast into the fluids. At high magnifications, (between 100 to 400 times on the film plane, but up to 10,000 times on the big screen) the single cells will appear to whirl past like

The shots will be taken using dark field illumination, which addresses the tricklest aspect of filming micro-organisms: adjusting lighting levels so they are adequate but not so hot that they fry live specimens, such as butterfly eggs.

While modern sin each be

While modern film can be very fast (ie light sensitive), filming a single cell requires a lot of illumination at source for

the imagery to get recorded.

Dark field illumination focuses light to a pinpoint, while subjects are set against a background of true photographic black. The dark field is set behind the subject, while heat-toughened infrared filters are stacked behind the powerful lights to absorb about 85 per cent of the heat. The project will also, for the

first time, overlay different planes of visual information in one shot, to make the image appear three dimensional. Past attempts used a painted back-ground as on a theatre stage. For Solar Crisis, foreground and background will be filmed, as will the spacecraft weaving

between the planes.

The Solar Crisis project, coupled with the buy-out, is regarded as a turning point for the company. It proves to Karen Goldie-Morrison, OSF's Karen Goldie-Morrison, OSF's managing director, that small UK independents can compete successfully for feature film work against the bigger groups, like industrial Light and Magic, even on the homeground of Hollywood.

"Even so, if you're small, you sometimes don't get paid," she says. As a safeguard, OSF has become the sole British member of the trade body, the Effects Association.

The other six members are

The other six members are from the US (Apogee, Dreamquest and Boss from LA, ILM from San Francisco, and Greenberg and Ferren from the East Coast.) Typically they have 100 employees, whereas

OSF employs about 30.

The UK arm may be small, but its expertise is much sought after. The special effects for Batman, which has already made about \$170m in the US and is set to gross more than any other film, were made at Shepperton studios by a British technician, Derek

Meddings, whose company is called Meddings Magics.

OSF, founded by Oxford biologists in 1967, has a reputation for coming up with the technology to achieve seemingly impossible shots. One of the company's commissions for the BBC illustrates its troubleshooting inventiveness. The challenge was to film a flea feeding on a live rabbit, which called for up to 400 times magnification of a mobile subject.

At such high magnification, they realised that if the camera were moved every time the flea moved, they would lose the shot. So they mounted the rabhit on a rigid base to reduce attention to a minimum. vibration to a minimum. Instead of following the flea with the camera, they kept the camera still by compensating for the flea's movements by

moving the rabbit: if the flea ed to the right, the r was slid to the left. The "optical bench" worked so well that OSF ended up recording the parasitic mites feeding on the flea at the same time. The roots of their prowess

filming micro-wildlife, leave some areas unexplored, Parks admits. "The company which did Star Wars (ILM) might have difficulty filming a pinhead. We might have difficulty filming at pinhead. We might have difficulty filming at the property of the prop filming warriors waving neon tubes saying 'May the force be

with you."

OSF hopes to use its independence to develop its Oscarpendence to develop he country winning innovations - such as the snorkel lens and optical bench - while winning more commissions. "Apart from Sexual Encoun-

ters of the Floral Kind, which was one of the two independent productions we got off the ground, Anglia and the BBC end up taking the credit for what we do because they commission the work," Parks says. The optical bench has been refined six times and gone round the world three times. Time lapse, micro, macro and aquatic photography have already been taken to a pitch of technical expertise. Future

are likely to be in aerial image relay, Parks predicts.
This innovation is from the same stable as snorkel optics, which use lenses remote from the camera with pin-hole external pupils in a tube-like snor-kel lens. This allows cameras to film underwater without getting wet, or be placed in the most improbable places, such

advances in film technology

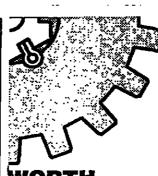
as inside a flower.

With aerial image relay, both a foreground miniature and the background can be sharp at the same time. This makes it possible to produce a clear image of a camel as seen through the eye of the needle. Either element would be hopelessly fuzzy unless the background image (the camel) was relayed into the plane of space occupied by the foreground (the needle).

While the film industry is getting "all excited" about computerised camera control, Parks is sure that aerial image relay is the effect of the future. "Disney has rung us with an idea for a project using aerial image. Nothing's been decided, but I can tell you its about spiders," he says.

A combination of aerial image and explosive years and explosive years are

image and explosive yeast par-ticles, enabling OSF to film the solar surface crawling with giant spiders in pin-sharp focus, is beginning to sound inevitable.



WORTH WATCHING Edited by

Della Bradshaw

Woodpecker taps into quality

BY TAPPING a coin on a metal surface, experienced technicians can tell whether the metal is sound. The same principle is used by the Woodpecker — only it uses an electronic ear not a huma

Developed by Mitsul Engineering and Shipbuilding, of Japan, the Woodpecker can test anything from the steel hull of a ship to a ceramic bathroom tile. European distributor JR Technology says that it can be used for both quality control and in-service monitoring. Laminates, ceramics of

as composite materials — a metallic or reinforced plastic skin bonded to foam. The hand-held device taps a metal head against the surface - like a woodpecke An electronic processor compares the sound with the "perfect" version in the

metals can be tested, as well

omputer's memory. The condition of the material is indicated by a lisplay of lights: green for high quality, two red lights and a siren for the opposite.

Fume controllers show their metal FOLLOWING the European

Commission's decision to introduce strict controls on car emissions by 1992, equipment manufacturer vying with each other to demonstrate monstrate which has the

best technology.
One area of dispute is the base material used for calalytic converters, which convert noxious exhaust

fumes into less harmfui made up of a honeycomb substrate, usually made of ceramic, plated with precious metals, such as platinum.

But the ceramic versions are being challenged by metal ones, which heat up more quickly and so begin to work sooner. The makers
— including Emitec, of West Germany, owned by Siemens and GKN of the UK - say this combats the dispropor-tionate amount of pollution

created by engines in the first minute of operation.

Meanwhile ceramic substrate manufacturers, such as Coming of the US, believe that the best solution is to

refine the proven technology. Corning has developed a ceramic catalyst with thinner walls, enabling a more densely packed honeycomb

which increases the surface area of platinum coating. It proposes that this could be used with a smaller device, near the engine, to convert pollutants emitted in the first seconds of

Getting the

measure of static ANYONE who has taken off a synthetic sweater knows about the problems of static electricity. But electronic equipment, as well as the human body, is sensitive to

Increased use of electronic equipment in offices and factories has brought with it worries about static from carpets or furnishing fabrics. In extreme cases, computer data can be corrupted, or distorives can find a life of their own and burst, unprompted. into action. Companies wanting to

measure the amount of static electricity in their buildings can use a portable machine from John Chubb nstrumentation, of the UK.
The machine measures is dissipation of static by the

fabric. An electrical charge is passed between a pair of electrodes attached to the surface. The information can be displayed as a graph on an IBM or compatible

Cutting the cost of a conference

VIDEO conferencing meetings between people in separate locations linked by television — is a service which has promised much, enthusiasm among business

One obstacle is the high cost of the equipment and calls. PictureTel, of the US, hopes to have overcome this with its V-3100 model, available in the UK through Data & Control Equipment. The mobile equipment can

be plugged into a digital dial-up telephone line previously most video conferencing systems needed dedicated lines between the sites. In the UK that involves renting a digital line. The equipment costs about

£50,000 and a five-minute call to, say, France would cost \$25.50.

One snag is that, until international standards are implemented for video conferencing, the recipients also have to use PictureTel

is it a bird? is it a train?

TRAINS and boats and planes are no longer confined to distinct market segments, according to the Argonne Centre for Transportational Research in the US. It says that the best use of maglev (magnetic levitation) vehicles would be as a replacement for aeroplanes, not trains as popularly believed. The gap between a magley





deemed a low-flying aircraft, says the report. Its introduction in the US to replace short or medium-hauf flights would reduce noise, pollution and the estimated \$5bn a year caused by air traffic delays.

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THE PROPERTY MARKET

Wind out of retailers' sales

By William Cochrane

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Alman,

ast amounts of new space, prospects of a decline in consumer spending and increases in costs for both developers and retailers have taken some of the steam out of the

retail property market.

Birmingham, Britain's second city and striving to stay clear of the depression that enfolded the West Midlands in the early 1980s, reflects the problems that arise when growth in supply meets uncertain demand.

uncertain demand.

Retailing in the town centre of Birmingham has traditionally occupied a very tight square bounded by New Street, High Street, Union Street and Corporation Street. Zone A rems range from £80 to £85 a square foot to £150, according to Paul Brewer, retail agency partner at Grimley J.R. Eve.

Some of the nicest shopping is a stone's throw north of that at the Great Western Areade, owned by Prudential

Western Arcade, owned by Prudential Assurance; yet, says Mr Brewer, while the Arcade is prime in its niche, its best zone A rent is £55 a foot. Old rules, like the one about "location, location and again location" die hard in the retzil

property market. The tight traditional situation has inspired a succession of shopping centres, one of the earliest of which — the run down, shabby but still busy Bull Ring — is being redeveloped by London & Edinburgh Trust. The \$409m, 1m sq ft scheme which will involve a three-level shopping complex, called the Gallaries, plus offices, restaurants and other leisure facilities, and will be the biggest city centre project in Europe according to Ray Guy, of agents Healey & Baker.

The Bull Ring, to the south of prime pitch, links with the Norwich Union's Pallasades, to the south west and directly above New Street railway sta-tion. The Pallasades was refurbished in a programme completed nearly two years ago and has benefitted accordingly.

The retail boom, and subsequent problems of the middle and late 1980s, are reflected in the experience of the are reflected in the experience of the Pavilions, a new centre developed by Bryant Properties, completed in November 1987 and the winner of the large centre award at the ICSC European Conference in Geneva in March 1988. Now owned by Royal Life, it has been available for sale — its size unbalances the Royal portfolio — but there have been no takers.

The bloom petalling was high on the box

been no takers.

Fashion retailing was high on the hog as letting objectives were formed; the letting agents - Shearer Harris & Partners, Gooch & Wagstaff and Elliott Son & Boyton - went for it, and got names like Hennes & Mauritz, Wrygges and Hammells to add to multiples like Burton, Next and Laura Ashley. The centre is also linked to Marks & Spencer, on the "cool" side of the High Street according to Roy Harris, joint senior partner of Shearer Harris.

In the past year or so, fashion has been the first element of the retail mix to hit consumer sales resistance. Praised for its retail planning and creative use of three dimensions, the Pavilions has recently had to cope with tenants who have been unhappy about its high rents, and not so high trading levels. Some of the tenants, apparently,

have been pushing for turnover rents so that their costs could be related to the lower-than-expected level of sales.

lower-than-expected level of sales.

That situation, says Arnold Hammond, deputy chairman of Ladbroke City & County, has rubbed off on to his company's City Plaza, a mixed development comprising 60,000 sq ft of offices and 50,000 sq ft of retailing to the immediate west of the prime retail pitch. The offices went to Guardian Royal Exchange and Jardine Matheson; but the shops, targetted high up the fashion market, have been slow to go.

"We've had a lot of offices from the niche multiple style of retailer," says

"We've had a lot of offers from the niche multiple style of retailer," says Mr Hammond, "but this would have compromised our trade." He expects six more lettings by August to get the centre up to 75 per cent let, naming Henry's of Bond Street, the London end of the Louis Vuitton group, and Rodier, an exclusive fashion house. The first floor specialist food hall should be graced by a tea and coffee retailer, cheeses and chocolists.

Labroke is also developing, in conjunction with Lynton, a fringe shopping centre called One Stop at Perry Bar, to the north of the city centre. This will combine retail warehouses, including an Asda foodstore, and conventional an ASUA HOUSEVIE, and Conventional shopping in 350,000 sq ft with 1,400 free surface car parking spaces, and it is going to be Ladbroke's "most success-ful" scheme yet, according to Mr Ham-

"We've tied up 50 per cent of the sheds," he says, "and we're putting individual shops out to tender for individual trades - achieving up to £45 a

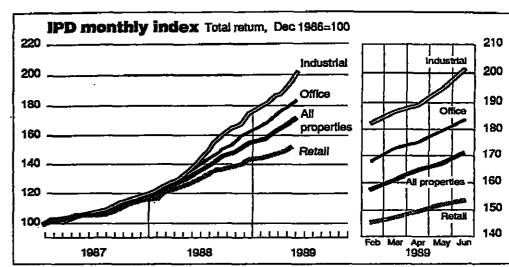
foot, zone A.". The recent lesson to add to the location adage — that quality, modern retailing offering good parking facilities goes for a premium on the periphery of congested town centres — is exemplified in this development.

Out of town, there is a big deal in Richardson Developments' Merry Hill development, which looks set to outdo John Hall's prototype MetroCentre development at Gateshead, in both size

In five phases built from 1986 to 1989, L8m sq ft of retailing in total is served by 11,500 car parking spaces, says Tony Williams, the Grimley J.R. Eve partner who concentrates on the Merry Hill development. A further two phases will bring in 300,000 sq ft of offices, a marina

Roy Richardson, one of the twin brothers born on the edge of the development and linked to it by strong emotional ties, says the the company is building and putting in a monorall system at a cost of \$20m to link the site with five stations serving shopping, car parks, offices and leisure facilities.

The other big out of town prospect for the Black Country, Sandwell Mall on the former Patent Steel Shaft site on the former Patent Steel Shaft site which has been taken over by Speyhawk and Alton Group, is having much of its site engineering problems removed, by open cast mining by the Coal Board. However, for that reason, Sandwell is not likely to be out of the ground before 1994, and its retailing will be into yet another new generation in this fast-changing business. in this fast-changing business.



Sectors are holding steady

THE PROPERTY market remains in a buoyant state according to the latest monthly index of the investment Property Databank, which shows that total returns for the year to June were a promising 26.6 per cent. The total return for the

month of June was 1.9 per cent, the highest of the year for the second month in succession, while the return for the second quarter of 1989 (5.4 per cent) exceeded that of the same period last year and only just fell short of the record levels seen in the last nine

Although the CBI says that the Government's policy of using high interest rates to combat inflation has begun to affect business confidence in the UK, the industrial property sector showed no sign of easing in June. The total return on industrial property was 41.6 per cent in the year to June, 7.7 per cent in quarter to June, and 3.4 per cent in June alone. The IPD also

reports that rental value and capital value growth in June was the highest this year. The retail sector is also holding steady against the squeeze on consumer spend-

ing, with as yet no sign of the widely predicted downturn in the retail property market, says PD. Rental value growth on retail property was at a year high in June. But the year high in June. But the total returns in June alone, 1.7 per cent, and for the year to June. 17 per cent, were both down on the previous month.

For offices, the picture is also stable. The total return on office property for the month was 2.4 per cent, and for the year to June 33.2 per cent, in both cases a slightly stronger performance than in May.

performance than in May. Patrick Harverson

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INSURANCE COMPANIES ACT 1982

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Notice is hereby given under Section 51(5) of the Insurance Companies Act 1982 that the Secretary of State, having considered an application from Malayan Insurance Company Inc for his approval of a transfer of certain general business to Malayan Insurance (UK) Limited, has approved the transfer.

Notice of the application was published on 5 May 1989 in the London, Edinburgh and Belfast Gazettes, and in the Financial Times and Lloyd's List.

Department of Trade and Industry July 1989

COMPANY NOTICES



Mitsubishi Bank of Australia Limited A\$40,000,000

Floating Rate Notes due 1992

Notice is hereby given that for the three months intenst period from 24th July, 1989 to 24th October, 1989 the Notes will carry an Interest Rate of 17.5317% per annum. Interest payable on 24th October, 1989 will amount to A\$441.89 per A\$10,000 Note.

The Mitsubishi Bank, Limited London Branch Agent Bank

THE ROYAL BANK OF CANADA US\$350,000,000 Floating Rate Debentures due 2005

ons of the Debentures, the Interest 188 for the period 31st July 1989 31st August 1989 has been fixed 9 per cent per annum. On 31st Augu at of US\$7.75 per US\$1,000 normina amount of the debentures will be due for payment. The rate of interest for the period

ORION ROYAL BANK LIMITED Agent Bank and Principal Paying Agent

COMMERCIAL **PROPERTY**

Prechold recently constructed, purpose built block of 15 smdio flair, close to Luton town centre. 9 flat; have immediate vacant posteorion and the remaining six flair by February 1990. Ideal for letting/brask up sales. Price 5625,000 subject to contract. Ref: GRS, Anthony Lipton & Co., 8 Upper Grosvesor Street, London WIX 9PA Tet: 01 491 2700

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LEGAL NOTICES

THE INSOLVENCY ACT 1986 IN THE HERTFORD COURTY COURT of 91 Ware Road, Hodde

nee runno exempesson of the above-remed, against whom a Bankruptcy Order was nade on 7 April 1989 will be held at 11.00am on 11 August 1969 at Heritord County Court, Sover-eign House, Hale Road, Heritori.

40 Clarendon Road, Wattord WD1 1HJ AIR PILTER SYSTEMS LIMITES

JOHN FREDERICK POWELL and LAN NAPIER CARRUTHERS

PUBLIC NOTICES

THE SOLICITORS STAFF PENSION FUND

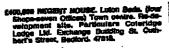
The Annual Meeting of the SSPF was held a The Law Society's Hall yesterday, Mr. M Moggason, Chairman of the Committee of Management, presided.

ART GALLERIES

The Leteure Gallery, 30 Bruton Street, London W.L. 01-493-2107. A Exhibition of Importment Works on Paper. 28th June - 28th July. Mon-Fri 10am-5pm. LEGER, 13, Old Bond Street, Tresures tront Abbot Hall, Kendal, Mon - Fri. 9.30 - 5.30.

CLUBS

EVE HAS CUTLIVED the others because of a policy on fair play and value for money. Suppor from 10-3.30 am. Disco and top musicians, plamorous hostesses, excitog tiperahove. 01-734 0557. 189, Regent St. Lauden.





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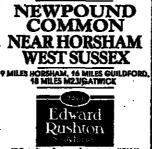
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M.J. Arnold & A.R. Bloom of Arthur Young

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Richard Elits, Chartered Surveyors 01-629 6290







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Freehold 25,750,000



London

The Proms. Works by 114 composers will be heard during on, which continues until September 16. Most concerts take place at the Royal Albert Hall, though St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10am-6pm) or 379 4444 (24 hours); promei tickets are available only at the

priced at £1-50 or £2. London Choral Society and BBC Symphony Orchestra under Lothar Zagrosek, playing Kodály and Brahms (Fri); BBC Concert Orchestra conducted by Barry Wordsworth in a programme of American music (Sat); Acad emy of Ancient Music, conducted by Christopher Hogwood, in a performance of Handel's *Orlando* (Sun); Royal Philharmonic Orthestra, conducted by value mir Ashkenazy playing Brahms, Mussorgsky and Gilière (Mon); BBC Symphony Orchestra, con-ducted by Andrew Davis and

OPERA AND BALLET

Ballet. At the Coliseum, the Bolshoi Ballet continues a grand London season with perfor mances of Swan Lake and Spar-tacus. At Sadler's Wells, the fine Paul Taylor Company from New York presents evenings of superb

Grand Palais des Chamns Klysées. Ballet Moisseiev: I and world folk dancing

Bayreuth Festival. Wagner fans from all parts of the worldwill see the premiere of a Parsiful production by Wagner's grand son Wolfgang, Conductor James Levine leads a strongcast includ-ing William Pell in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle are once again sung by Slegfried

Witold Lutoslawski playing tra conducted by Edward Downes in a concert of Bax, Wal-ton and Strauss (Wed); and the BBC Philharmonic Orchestra conducted by Valery Gergiev, playing Prokofiev, Schnittke and Tchaikovsky (Thur).

Pestival of Paris, Clarinet con-cert, with Michel Portal, Chris toph Henkel (cello), Georges Pludermacher (piano). Beethoven Brahms (Tue) Auditorium des estival of Paris. Baroque music Tokyo Baroque Trio, Agnes Mellon, (soprano). Duphly, Luily,

Campra, Clerambault (Wed) Auditorium des Halles. Festival of Paris. Clarinst concert, with Michel Arrignon, Sin-fonietta de Chambord conducted by Amaury du Closel. Gossec, Weber, Molter, Haydn (Thur). Auditorium des Halles. Festival Vivaldi. Chamber Orchestra Jean-Jacques Wieder ker. Bach, Vivaldi (Tue, Wed, Thur). Saint-Louis-en-L'ile

in France. La Chaise-Dieu in Auvergne, Aug 23-30 (71000116). Saint-Jean-de-Luz, A n-de-Luz, Aug 30 - Sept La Roque-d'Azitheron, Aug 1 - 23 enton, Aug 5 - 31 (93575700).

Rglise Saints Jean et Etienne Rosario Macaluso (trumpet) auveniere (organ). Sun

der, Wolfgang Brendel, Hans Sotin/Manfred Schenk, William Pell and Siegfried Vogel, in Wolf-gang Wagner's delightful produc-tion.

Tomlinson, Peter Hofmann and Nadine Secunde. Lohengrin, con-ducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Ekke-hard Wlaschiha, Gabriele Schnaut and Eike Wilm Schulte. Tunnhauser returns, after a one year break with the new Venus Ruthild Engert-Ely, Cheryl Stu-

Munich Opera Festival. Last week of performances opens with Le Nozze di Figuro with star singers Margaret Price, Wolfgang Brendel, Susan Quittmeyer, Hermann Prey, Angela Maria Riasi, and excellently conducted by Bernhard Klee. *Dormöschen* has wonderful Peter Wright choreog-raphy. *Don Giovanni* has a first-rate cast led by Thomas Allen, Kurt Moll, Julia Varady, Peter Schreier, Mariana Nicoescu. Jan-Hendrik Rooterir and Angela Maria Blasi. Die Meistersinger von Nürnberg in August Everding's ordinary staging, convinces thanks to Bernd

Cathedrale Saint-Michel, Weimar Franz Liszt Academy chorus conducted by Gert Frischmut, Jozef Ryelandt's Missa 4 Vocibus inaequalis, August 6. Organ Concerts by Wim Van Beek: Bach, Mozart, C.P.E. Bach, Andriessen, Tues

Amsterdam New Sinfonietta

conducted by Lev Markiz. Shos-takovich (Fri).

Hayda Sinfonietta conducted by Manfred Huss. Beethoven. on Fortepiano Trio. Mosart, Haydn, Beethoven, Pallavicini. (Sati). Organ Recital by Thomas Daniel Delbos. Karlskirche. (Sun). Moscow Radio Symphony Orchestra conducted by Vladimir

Luciano Pavarotti, with the Ber-lin Symphony Orchestra, con-ducted by Leone Magiera. Moz-art, Mercadente, Verdi, Puccini, et Donizetti Roselni Mee.

Fedosejev. Sibelius, Beethoven. Arkadenhof (Tues, Thur).

Bad Wörishofen

Ivo Pogorelich Festival This first festival initiated by the Yugoslav pianist Ivo Pogorelich aims to support young musicians. Among the musicians are violinist Iduard Wulfson and pianists Franz Massinger and Frederic Chiu. Aug 1-8 (08247/ 350253,8939). Bad Worishofen,

Weikl, Kurt Moll, Hans Guenter Noecker, Kenneth Garrison, Rene Kollo and Lucia Popp in

Terme di Caracalla. Atda, in a revival by Sylvano Bussotti of the spectacular 1950s version, with six over-excited horses now replacing the camel, which has long since retired to Rome 200. The conductor, Nicola Rescigno, who conducted Callas for many years and is now with the Dallas Opera, returns after a 25 year opera, returns after a 25 year absence, and the excellent open-ing cast is led by American soprano, Aprile Millo as Aida, Grace Bumbry (Americand Giorgio Lamberti (Radan Also Mauro Bolognini's traditional production of Toscz, conducted by Jan LathamKoenig with Giovanna Casolla in the title role, Nicola Martin Cavaradossi and Ingvar Wixell and Elia Padovan alternating

FOR SALE BY TENDER

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The Arena. This week's performances include Verdi's *Nabuc*-co, conducted by Daniel Oren, with Silvano Carroli, Piero Cap-

Montepulciano (Tuscany)

14th Cantiere Internazionale d'Arte. Founded by Hans Wern Henze in 1976, and specialising in baroque opera and modern
musical theatre, the festival presents performances of Cimarosa's
Il Matrimonio Segreto, and concerts every day, including first
italian performance of Henze's
violin concerts, with heavylori. violin concerto, with bass/bari tone voice and magnetic tape, conducted by Peter Sheppard, with Beethoven's sixth sym-phony and Sylvano Bussotti's Regina (Sun) (717092/758213).

Mostly Mozart Festival. Takacs String Quartet with Richard Stoltzman (clarinet) and Viadimir Feltsman (piano). Mozart, Beethoven (Mon); Festival Orchestra conducted by Edo de Waart with Kalichstein/Laredo Robinson Trio and Hakan Har-denberger (trumpet). Mozart, Beethoven, Haydn (Tue, Wed); Kalichstein/Laredo/Robinson Trio, Mozart, Haydn, Schuman thoven (Thur). Avery Fisher

Ravinia Festival. Preservation Hall Jazz Band (Mon); Chicago Symphony Orchestra conducted by Dennis Russell Davies with Leonidas Kavakos (violin). Tchaikovsky, Prokofiev, (Thur) High-

Tokyo

NHK Symphony Orchestra: Sum-mer concert. NHK Hall (Mon) the Yomiuri Nippon Symphony Orchestra, conducted by Kazushi Ohno. Mozart, Grieg. Suntory

Hall (Mon) (366 9999).

puccilli and Paata Burculadze, Gianfranco de Bosio's production of *Aida*, conducted by Pinchas Steinberg (Aprile Millo and Bruno Beccaria), and Verdi's La Forza del Destino with Maria Chiara, Giorgio Zancanaro and Nicola Martinucci, conducted by Sandro Bolchi (596517/

Ravenna Festival. Verdi's La Traviata conducted by Massi deBernard, with Nelly Miriciolu

New York

New York City Opera. The week features the first performance of *The Mikado* with Lisa Saffer souri's production conducted by Peter Howard. Other performances include Die Zauberflöte conducted by Scott Bergeson with Elizabeth Hynes as Pamina Elizabeth Carter as Queen of the Night and Walter Macneil as Tamino; and Rigoletic with ureen O'Flynn as Cild and Pablo Elvira in the title role Lincoln Center New York State

EXHIBITIONS

The National Gallery. The Artist's Eye — this year the abstract painter, Bridget Riley's turn to take her pick of the collections. She chooses a mere seven works, but all of them masterpieces – great figure com-positions by Titian, Poussin, Veronese, Rubens, El Greco and Veronese, Rubens, El Greco and Cezanne, Daily until August 31. The Whitechapel Gallery. Ruan Uglow – a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.

Mondays. The Hayward Gallery. Art in Latin America — a rich and fascinating survey of the paint ing and sculpture that has come out of Central and South America since the early 19th century, which is roughly the period of the achievement of independence from the Spanish and Portuguese colonial emptres. It presents an extraordinary cultural cocktail

 political, anthropological and social besides purely aesthetic, with the volatile Latin sensibility set against the older and still tures. Daily until August 6. The Royal Academy. The 221st Summer Exhibition of the Royal Academy — the usual gigantic and enjoyable free for-all of painting, sculpture, print and architecture with nearly 1,200 works on show. Yet, as always, it is different this year for the particular treats it offers for the tion to search them out among the general mass. In defiance of received opinion, the general standard of work is com ably high and this year better displayed than ever. Daily until

The Louvre. The glass pyramid. built by LM. Pei, the Sino-American architect, has opened to the oublic as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.

The Louvre. Les donateurs du Louvre. Aptly, the newly refurhished museum inaugurates the 1,300 square metres of space created underground for temporary exhibitions by expressing grati-tude for the generosity of donors throughout its existence. 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau

Centre Georges Pompidou Matisse drawings, Some 100 works retrace the painter's creative development from the postacademic beginnings to the fauve period and to the greatbrushdrawings of the 1940s and 1950s. The mixture of accomplis masterpleces and of rapidly dashed off sketches, adds a refreshing flavour to the exhibition. Closed Tue, ends Aug 27. Ribliothèque Nationale. 1789 Le Patrimoine libéré. Rather than inheritence liberated, words like confiscation and plunder the manner in which the 200 treasures, chosen from hundreds of thousands of documents, reached the Bibliothèque Nationale from churches and palaces during the revolutionary years. 52 rue de Richelieu. Ends Sept

Centre Georges Pompidou and La Grande Halle de la Villette. A mammoth exhibition — Les Magiciens de la Terre — is amhi-tiously subtitled the First World Exhibition of Contemporary Art. Taking four years to prepare and costing FFr30m to stage, the exhibition needs all the space of the 5th floor of Beaubourg and the Grande Halle de la Villette to accommodate the 100 artists – half of whom come from the third world – whose works span the globe. Centre Georges Pompidou (42771233) Exhibition of Contemporary Art. Georges Pompidou (42771233) and Grande Halle de la Villette, Porte-de-Pantin (42497722). Both exhibitions closed Tue and end

August 14. Hartigny

Fondation Cianadda, A Henry Moder retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze marble or alah they in bronze, marble or alabas ter, be they of vast proportions or fitting into the palm of a hand are a hymn to eternal mother-hood. Ends Nov 19 (026-223978).

Centre Culturel le Botanique. Centre Control of Solutions of Asense of catastrophe – art in the 1980s shows works of Ameri-can and European artists. Closed Monday ends August 13. Mosée du Costume et de la Den-telle. Women and Equality 1789 – 1889. Ends Sept 24.

Schirn, Kunsthalle, Am Römer-berg 6a, A Wassily Kadinsky retrospective (1865-1944). Wassily Kadinsky, initiator and founder of the famous Blue Horse style also created a new form of abstract painting. He left Russia four years after the revolution and was forgotten for many years. To rehabilitate him 45 years after his death, 20 muse-

News International pic

convertible into

The relevant interest payment date will be October 26, 1989.

ums from all parts of the world have lent about 170 oil paintings, watercolours and drawings for this unique exhibition, only to he seen in Frankfurt. Ends Aug

Kunsthalle am August-Macke-Platz, Hochstadenring 22. Cen-tres, Residences and Metropolis in German History. This inte ing exhibition, organised by Bodo-Michael Baumunk, has about 1,500 pieces on loan from private collections and museums It is the government's contribution to Bonn's 2,000th anniver-sary. Sketches and models for the Bundestag are on display as well as photographs of the first German Chancellor, Konrad Adenauer, Ends August 20.

The Kremlin Gold. The exhibi-tion is jointly organised by the Bremen Uebersee Museum and the Moscow Kremlin Museum. This presentation of around 80 pieces of Russiam goldsmith's art covers the early Byzantine period through to the beginning of the 20th century. It shows the different styles of the goldsmith's art such as filigree and enamel ork in the 15th century, colour ful decorations with precious stones in the 17th century, followed by the European influence of the 18th century. Bremen Ueb-ersee Museum, Bahnbotsplatz

Amsterdam Hatorical Museum A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Spanning four centuries, they range from delicate architectural detail to grandiose pipe dreams, and merely whet the appetite to see more from this fabled col-lection of more than 1,000 sheets.

Galerie im Heiligenkreuzerhof has a selection of watercolours and other paintings by Gustav Klimt, the turn of the century Austrian artist who helped to skake the artistic establishme

ssion. Never to be accused

cles and brought their skills and creativity into interior and indus-trial design. Ends September

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd. Morris), mai art (Flavin, Juad, Morris),
to conceptual art and Arte povera, with works by Gilbert and
George, Paolini, Merz, Pistoletto
and Kounellis, ending with some
curious examples of German
neo-expressionism. Until Oct

nivals. Life was anything but

out of its lethargy. Until August

of neglecting the younger genera-tion of Austrian and international artists, this gallery is exhibiting the Vienna artistic scene during 1989 as well as a marvellous photographic exhibi-tion by Astrid Klein. Until

chloss Grafenegg, in Lower Austria. Besides a marvellous place to visit, there is a wonder-ful exhibiton of children's books and fairytales. Until September. The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15. Museum for Applied Arts is cele-brating its 125th anniversary with an exhibition focusing on the impact art has had on indus-trial design in Austria. This rela-tionship blossomed of the type of the century when a group of Viennese artists broke away from the established artistic cir-

Museo Napoleonico. Eighteenth-century Roman Theatre and Car-

comfortable for impresarios under the oppressive papacy of Plus VI, with ruin continually Plus VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. This absorbing exhibition covers the years 1775, when Plus VIIh's long reign began, to 1799, and attempts to show how the conflicting influences of the panery and the revoences of the papecy and the revoences of the paper, and the technicion in France affected the Roman theatre. The exhibition opens with a coloured lithograph of the Pope's triumphal procession, immediately after his election, alongside the edict which condemned to death the sunmned to death the supmasque written for the occasion (the true author of which was said to be Prince Chigi). The Roman cultural scene was lively coman culcular scale was heavy but frivolous, ballet and spectac-ular theatre in general being much preferred to classical plays or opers. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture and portraits of contemporary composers such as Cimarosa and Paisello, and an enchanting Perseus and Andromeda by the French scuip-tor, Chinard. Ends Sept 30.

Rossian and Soviet Art 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Glovanni Caranate an immensely effective denie an immensely electric setting, turning the ground-floor workshops of the disused Flat factory into the equivalent of an Arab tent. The works are hung on suspended panels of white gauze, divided into 22 more or less chronological sections, context, emphasising links with contemporary literature, music and cinema. The exhibition ends with stills from films by Visconti and Rossellimi. Ends Nov. complemented by the immense Bolshevik-red banners which flutter in the breeze in the figurative paintings on show ngurance paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape, notably Vasiliev's Autumn Woods, Nesterov's pen-sive girls in traditional dress at the lakeside and Vincoradov's inviting summerhouses on the pes of the Crimean hills, with their unexpectedly luxuriant gardens. Cosmopolitan and sophisticated, Russian artists

could hardly have been in closer contact with contemporaries in France and Germany. M was in Moscow to install his two paintings, Music and Dance in the house of the collector, Sergei Sukin, and two symbolist works on show by Petroy-Volkin, Youngsters and The Thirsty Fighter contain clear echoes of se. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibi-tion. There are two portraits, tion. There are two portraits, one by Serov, elegant and devilish, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes; Petrushka (1911) and Perillon designs for the Sets of the Ballets Russes; Petrushka (1911) and Pavillon d'Armide, by Beno (1907), the ballet which marked

the beginning of Fokine's can as a choreographer and that of Nijinsky and Paviova as dancers, at the Marinsky theatre. A num-ber or remarkable portraits stand out, from Vladimir Tatlin's emp-ty-faced Sallor to Altman's faintly expressionist portra of the postess Anna Achina (1914), with its intense blues and Duke Pavel Alexandrovich and Chagali's Red Jew. Chagali has a section to himself, which includes a number of charmingly domestic scenes, such as The Datcha Window, as does Kandin-sky, with three fine works, including the large Composition VI from the Hermitage, Ends

Rocco Albornoziana and Church of S. Nicolo. 17th century paint-ing in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Brunresearch wurk by Froessor kran-otoscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which the latter is by far the most satis-

factory). The works are uneven in quality, but all are interesting, each telling a story (often with the sponsor looking pious in the lower right-hand corner), and often harking back in style to earlier artists such as Perugino Not all are by local painters: a notable exception is fine work by the French painter, Jean by the French painter, Jean l'Homme (signed and dated 1631), and some are discoveries, such as an unknown, Francesco Furint. One of the most beautiful Furint. One of the most beautiful is the Maestro di Serrone's arresting and enigmatic Workshop of Sangiuseppe where Christ (with an almost victorian head of curis and roughly eight years old) standing between his parents forms a rough cross from wood fragments from the workbench, and binds them together with fhread from his mother's sewing-box, a mysterious smile sewing box, a mysterious smile on his face, while his parents' eyes meet in anxious premoni-tion. Ends Sept 28.

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sionists from the Mellon collec-tion at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and and Renoir's Madaine Monet and Son. Ends Sept 4. Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social

Museo Correr. French impres-

National Gailery, More than 400 images are part of a massive rospective of the 150 years of photography, here represen by Affred Stieglitz, Walker Evans, Laszlo Moholy-Nagy

Aug 13. National Gallery. The first exhibit of the complete set of Mary Cassatt's colour prints includes familiar images of mothers and children from the American impressionist's oeuvre. Ends

Chicago

Art Institute. Two years after his death, Andy Warhol contin-ues to make news with his new diary, even his work retains sur mary, even ins work retains sur-prising freshness amid the vari-ety that extends far beyond familiar images like his Marilyn Monroe and Campbell Soup tins. Ends Aug 13.

National Museum. Heijokyo Exhibition. Important archaeo logical finds excavated in the past 30 years in Nara, where Japan's capital and imperial palace were located in the eighth century. Closed Mondays. National Museum of Modern Art. Art of the Showa Era. Paint ings, sculpture, prints and photos by Japanese artists, all executed during the reign of the late Telen Museum. Takeji Fujishima (1867-1943). Fujishima's work reflects the course of European Modernism but remains quintes-sentially Japanese in its delight in decoration for its own sake.

The paintings on show include. landscape, still life and portraits. Closed Mondays. Idemitsu Museum, Hoan Kosugl. Kosugi's early work was infin-enced by Impressionism, but

enced by Impressionism, but in later years he created a more in later years he created a more Japanese style in sumie and watercolour. His favourite subjects were flowers, birds and people. Closed Mondays.
Suntory Museum. Edo Glassware. Over 120 glass objects from the Edo period (mid 17th-mid 19th century), including glassware imported from Europe as well as examples by Japanese craftsmen. Closed Mondays.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF TEXAS FORT WORTH DIVISION

PENGO INDUSTRIES, INC.,

to accept to region to the real. In an action at the personal parameter in the Plan voting process for holders of the Debentures.

1. DESCRIPTION OF THE PLAN:

The Plan provides that holders of Debentures will be treated as creditors in Class 5, which class includes the majority of unsecured creditors. Debenture Holders are included in Class 5 on the basis of Pengo's guarantee of the Debentures. Besed on the amount of their respective claims, Creditors in Class 5 will receive a provide starte of the Debentures of the Debentures of the Common Stock to be issued by the recognized for Bengo's Subscription of the Common Stock to be issued by the recognized for distributions under the Plan. If the Plan is confirmed by the Benkruptcy Court, all rights of the Debenture holders insofar as the Pengo guarantee of the Debentures is concerned will be determined by the provisions of the Plan, whether a vote is cast in fivor of, or spaints or no vote is made in respect to the Plan. The Plan requires that a Debenture holder submit the Debenture's to the respective issues on or before one (1) year from the Effective Date, as defined in the Plan, 2, OBTAINING A BALLOT AND VOTING:

In order to obtain a copy of the Plan, Description and Bullot, a holder of a Debenture must content.

Reliots must be returned so that counsel for Pentro receives them to inter than 1:00 p.m., Dellas time, on August 29, 39. A COPY OF THE DEBENTURES) FOR WHICH THE BALLOT IS CAST MUST BE ATTACHED TO THE STREETIVE BALLOT IN ORDER FOR THE BALLOT TO BE VALUE.

ORDER THOUSE TO CONFIRMATION:

na Commerce Tower , Texas 77002(713) 226-1200

US\$ 100,000,000 9% guaranteed bonds due 1990 US\$ 100,000,000 floating rate notes due 1990 For the period from July 26, 1989 to October 26, 1989 the notes will carry an interest rate of $9\frac{1}{4}\%$ per annum with an interest amount of usdoi 236.39,- per US\$ 10,000 note.

Credit du Nord usdol 100,000,000 floating rate notes due 1997

For the period from July 27, 1989 to October 27, 1989 the notes will carry an interest rate of 9½% per annum with an interest amount of usdol 231.60, per usdol 10,000 note.

The relevant interest payment date will be October 27, 1989.

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TENDER PROCESS COMMENCES IMMEDIATELY





Danbury Mix

SADLER'S WELLS

At the centre of the Paul Taylor Company's fourth programme is Danbury Mix, set to scores by Charles Ives. It was commissioned as part of New York City Ballet's American Music Pestival last spring, and danced by Taylor' troupe with the addition of NYCB's Peter Frame.

Taylor subtitles it "a collage," and its effects are of a strapbook of national attitudes (viewed with some distaste) with a curious subtext derived from brief quotations from Taylor's own

The pivot of a frenetic dance action is Karla Wolfangle, seeming a close relation of the Statue of Liberty in a silver lamé trouser suit and tiara. Around her crupts the rest of the east, black clad, who behave in the main rather badly, running, brawling, cake-walking, or pouring over the stage in a slow-motion

At times it looks like Denishawn crossed with Acid House; at others as if both a society and its dancing were malformed and maltreated. There are jokes, of an acrid kind, but as the shifting textures of Ives music collide in the Circus Band Music, the action becomes even more

anxious and dislocated. Just before the curtain falls, an act drop of small black and white American flags descends:the final impression is of a disillusioned view of a nation's image of itself. It is wonderfully danced: Taylor's artists, like Taylor's dances, lead a Jekyll and Hyde existence, by turns joyous and terrifying,and convince as equally as angels and devils.

All is sunshine in Airs, which opens this programme, its cast obedient to Handelian melody, and as formally graceful as the choreography. Duets for the lyrical Linda Kent and Joao Mauricio, with his centre-forward's attack: for the sparkling Kate Johnson and Christopher Gillis, hero of this season; the solo taken by the serene Cathy McCann – all these are part of a choreographic treasure in which Taylor's genius for the unexpected, the sudden felicitous shift of emphasis,is

e e la la grandation

. .

The American Section 15 The second secon

an abiding marvel. With the closing Esplanade, Taylor states his theme in the choreography. Bight damest take walking steps, and from that moment on there is no use of "dance" movement. Taylor makes dance from walking, from highly charged emotional mime, from falls and trips and tumbles, and from the lovely daring of his

This season is proving grandly memorable for audiences in the constant revelations of Taylor as a master choreographer in the magnificent qualities of his ensemble in the admirable lighting by Jennifer Tipton (I hope other dance users of the Wells will see what Miss Tipton achieves), and in the distinction of the musical performances by a strong orchestra under Donald

It is an unsponsored season, which seems odd, but redounds all the more to the credit of Sadler's Wells Trust who have undertaken it. It runs mutil August 5, and must

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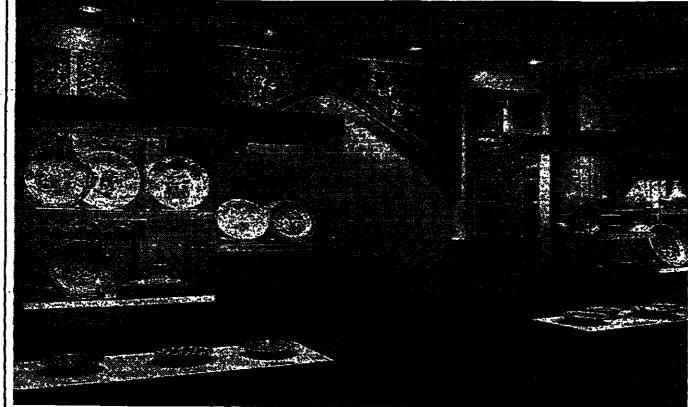
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Clement Crisp of colours bucolic and mysterious demands the

ARTS



Inside the new John Addis Gallery

Splendours from the East

Susan Moore on the British Museum's new Islamic Gallery

hanks to the generosity of Sir John Addis, a distinguished Sinologist and former British Ambassador in Peking, the British Museum has a new Islamic Gallery. And thanks to a succession of distinguished gifts — which constitute 80-90 per cent of the collection — from Sir Hans Sloane's founding bequest of 1753 to the outstanding Godman Hispano-Moresque and Iznik pottery which came 230 years later, his gallery houses some of the most comprehensive and important collections in the world.

His bequest - Sir John was a museum trustee 1977-83 - enables a variety of objects from the disparate lands and cultures of the Islamic world to be shown together for the first time. Intractable items, such as heavy stone or wood inscriptions, have come out of store, as has the museum's little known collection of tiles. Moghul miniatures also make their debut on permanent display, hung in a low-lit exhibition area in the centre of

the gallery.

The new gallery was created out of an unpromising low-cellinged, lower-ground floor space in the King Edward building, previously used to house the Godman collection and offices. Its completion marks the first stage of the total

Much of the Proms' bread

and butter is provided by the

visits to London of the various

visits to London of the various regional orchestras. Wednesday's concert by the BBC Welsh Symphony. Orchestra, the first of two, seemed to count as rather more luxurious fare. There was ensemble playing of control, spirit, and distinction in both works on the programme: under its

the programme; under its recently appointed principal conductor, Tadaaki Otaka, the orchestra has obviously

The scoring of Mahler's Fourth Symphony allows no

passengers; the spare, sharply focussed contrast

only the briefest of inscriptions. (A free but very brief guide is available in the

gallery.) Approaching the gallery from the marble terrace - the only touch of opulence – the range of the collection is made immediately clear. An introductory display offers a large Iznik bowl decorated in cobalt blue from Ottoman Turkey; an unglazed earthenware storage jar from Takrit, Iraq; enamelled glass mosque lamps from Mamluk Cairo; and a magnificent brass astrolabe inlaid with silver, made for the Safavid ruler of Persia and from the collection (who knows how) of his contemporary, Sloane.

From here, the display diverges. Works of art from Western Islam — Egypt to Iraq — are on the left; those from the east, from Iran to India, are on the right. The objects are arranged chronologically to enable visitors to compare contemporaneous work, but they will have to draw their own conclusions. Separate displays are devoted to coins, arms and armour, science and magic.

Not to be overlooked is the brass Blacas ewer, inlaid with silver and copper to depict scenes of life at the Mosul Court around 1232, or the gouache from the "Hamza-Nama" commissioned by the Moghul Emperor Akbar 1567-62, one of the

The undisputed glory of the collection, however, is the iznik ceramics, now unparalleled in the world. It is strong on the early blue and white made after around 1480 for the Ottoman court, who appeared to have had an as insatiable a taste for Chinese blue and white porcelain as Queen Mary L

But it is the so-called Damascus group that steals the show. Their assured patterns, of Chinoiserie or botanically correct flowers, are painted in the largest range of underglaze colourants in the whole history of ceramics, and brilliantly glazed to boot. The colours range from deep cobalt blue, brilliant turquoise and bole-red, to subtle manganese purple and

rey-green.

Calligraphy has a central – and unitying – role in the arts of Islam, given the religion's dislike of figural representation. It is the subject of the inaugural, temporary exhibition, which draws together examples on tiles, earthenware vessels, silver, glass, written on paper, or carved into limestone. The continuity of the tradition is shown by a recent calligraphic screen-print, and an inscription executed in acrylic on board.

Evidence of revival, if not survival —

and a welcome compensation for the paucity of textiles in the collection - is the large carpet commissioned by the marks the first stage of the total refurblement of the museum's oriental galleries.

Geoff Rickup's design is lew key, even in minimal: the gallery is painted white, the minimal: the gallery is painted white, the glass showcases are simple; the display uncluitered, and the objects are allowed most impossible to miss the great smooth green lade in the DOBAG project which is reviving. William Morris style, the use of traditional weaving methods and natural dyes in carpet production in Western Turkey.

Alexander Baillie, paid no less

close or fastidious attention to

Orion and Pleiades (1984) - a

25-minute stretch of colour-and-texture rhapsody by Mr Otaka's compatriot Toru

Like all of his works it is

put together with exquisite finesse, each note touched in with feather-brush

precision; but like too many of

them it, washes over the listener, bathing him in a pleasant pretty haze and leaving behind no trace. At the

risk of committing an

astronomical solecism, I thought it 25 minutes of pure

Cathedral concerts

Many people still think of the Aix Festival as a showcase for operas, and particularly for operatic voices - in which the Aixois indeed take a passionate interest; but there is more and more to it than that. The concerts, generally held in the ancient Cathédrale Saint-Sauveur (with recitals in the cloister), are not time-fillers but central events, and their overall planning is so expert that you want to stay on from day to day: with Scheherazade-like cunning, one thing is made to lead naturally to another.

On the day I left, the Hilliard Ensemble had just begun a marvellous week's worth of one-composer noontime con-certs. I heard their Pérotin; Ockeghem, Tallis, Palestrina and Schütz were to come. The Festival has been cultivating older music for some time now - André Campra, after all, was a native son. Last year I reported Aix's inspired solution to the usual cathedral-acoustic problem: a sort of glant xylophone of luminous white, inflated plastic bars is suspended above the front of the nave. It looks handsome, focuses the sound and eliminates echoes. The Hilliard voices - a mere six - pene-trated the church magically, with their uncanny combina-tion of cut-glass precision and vital intensity.

Larger forces are well accom-

modated too. Orchestral lines tend to broaden and blend, but solo voices rise forward of them to great effect. José Van Dam's bass-baritone, for example, in the Mendelssohn Elijah; a Festival choice sufficiently Flote - in previous years he

explained by the fact that he is on hand again as Don Alfonso in the admired revival of Cosi fan tutte, with the English Chamber Orchestra conducted by Jeffrey Tate and with Hans-Peter Blochwitz as Ferrando.
All of these participated resoundingly in Elijah, with Charlotte Margiono and the subtle contralto Nathalie Stutzmann - two of the Three Ladies in the new Zauberflöte

- contributing just as keenly.

Elijah can rarely have seemed less like a choral-society exercise. Tate treated it as a grand dramatic canvas, with Van Dam's majestic, complex hero at the centre. It mattered not at all that the orchestra occasionally overbore the brave, 32-strong "Choeurs du Festival" – in fact it took the academic curse off Mendelssohn's over-smooth choral manners. The "Choeurs" this summer, by the way, are Brit-ish professionals under Rich-ard Wistreich's excellent direction: their strenuous work in most the operas seemed to leave them fit and eager for all the extra concerts.

They were in superlative form for *The Seasons* of Haydn, part of a late-Haydn survey which took in the Seven Last Words and the Paukennesse. So were the soloists, the delectable American soprano Dawn Upshaw (from Cosi) and (from Die Zauberflöte) her compatriot Kurt Streit and the bass Alfred Muff. Both the latter revealed expressive ranges and imagina-tion merely hinted at in their Mozart roles. The conductor Armin Jordan, also from the

has done Seraglio and Clemenza di Tito – hullt a perfor-mance of terrific energy and

unabashed picturesque colour.
That was especially rewarding to hear, since in this country we know Jordan chiefly through his fine recordings of more recent but neglected music. He proves to be a classi-cist of parts. Three days ear-lier, his exposition of the Seven Last Words of Our Saviour on the Cross with the Ensemble Orchestral de Paris had been so clear-eyed, searching and poignant that one had to recognise that Haydn's later stringquartet version is, after all, only a second-best. With the original orchestra (cleverly varied from piece to piece: the arrival of the flute in Sonata III, for example, is extraordinarily telling) the score has symphonic depths that challenge any of his symphonies.

Marc-Antoine Charpentier's "opera" David et Jonathas - much like a Handel oratorio, but with far more flexibility within set numbers - got a brilliant re-creation from Wil-liam Christie and his band Lcs Arts Florissants, with soloists who flung themselves into their roles with dramatic abandon. Christie deployed expressive devices, in innumerable instrumental touches and freehand pacing, which were surely "speculative" but also profoundly effective. Whether this amounts to "Leppardisation" or not I don't know, but it was hard to doubt that Charpentier would have been amazed, delighted and grateful.

David Murray



Jan Peszek in the Stary Theatre of Cracow's production of 'The Dybbuk'

Wajda in Westchester

PEPSICO SUMMERFARE FESTIVAL

America is long overdue in recognising that Eastern Europe is more than an appendage of the Soviet Union. President Bush's conversion on the road to Warsaw is a first wrote the most famous to the sould be sould step, but it hardly makes up for a generation's oversight. Americans desperately need more of the cultural lessons provided by Andrzej Wajda's visit with the Stary Theatre of Max Loppert Cracow to the Pepsico Summerfare Festival in the affluent Westchester suburbs, an hour

Performing The Dybbuk and Hamlet, the company provides a telling insight into contemporary Poland. Szymon Anski wrote the most famous Yiddish play in 1914 when the four-century-old culture it recreates with all its cabbalistic and ritualistic strangeness was on the point of extinction. While steeped in Jewish law and custom, the plot also explores the divergent extremes of the Jew-ish ghetto in which a rich merchant comes between his daughter and her religious lover, resulting in the student's suicide and return to inhabit

her spirit (the Dybbuk). Though the playwright was Polish, his work was rarely seen in his native country, whose anti-Semitism has long been accused of outliving the Jews. Wajda has turned to Ernest Bryll for a dignified verse translation reminiscent of Old Polish, according to the translator's note in the programme, to dispell "the impression that a Jew must always speak funny Polish." The simultaneous translation did little to convey the effort, with loud rustling of papers and throat-clearing audible through the headsets detracting from any sense of the language.

Respect for Jewish life in Poland permeates the rich, even lush, production designed by Krystyna Zachwatowicz with its stained glass windows emitting sharp colourful shafts into the otherwise dark temple interior. Far from soft-pedalling the claustrophobic Hasidic environment, Wajda puts the community cemetery right on stage where the characters go to commune with the spirits that come alive in their midst.

_Krzysztof Globisz portrays Khonon, the poor student, as a romantic hero, set apart from the other students by his seriousness and deep feelings. The star-crossed lovers, having got to know each other when the student roomed with the mer-chant's family, need do little more than stare at each other to convey their love - and

their fate. Anski came to the subject of the play not through religious belief but through research into folk customs. He treats with po-faced seriousness the presence of spirits who taunt the living with their demands from beyond the grave. Wajda uses the simplest devices speaking through a curtain and the loud shattering of glass - to bring the spirits to

Hamlet is an altogether different exercise. In three previous productions, Wajda has concentrated on the action more than Hamlet's musings. This one, called Hamlet IV, goes for the Dane's contempla-tion. In the setting of an actor's changing room Hamlet, both plays and observes the action. The scenes not directly involving him take place behind the backdrop, a trick achieved by actually putting the audience backstage. There they sit in 175 bleacher stand chairs, while the 700-seat theatre on the other side stands

This example of Polish eco-nomics would be more comprehensible if the production justi-fied it. But Hamlet, lounging on a moth-eaten sofa or reading the script, does nothing to enhance the scenes he is not in, and after a while, having the king and queen entering from the rear in the robes, hoops and neck-ruffles of Eliza-bethan costumes to see him in comic. Premiered at the festi-val only a week after its Polish debut in Cracow, the production does not seem fully

worked out.

Dubbed "the grand finale," this tenth is the last Summerfare. Pepsico is withdrawing its \$2m a year support just when it seems to have found a role for itself to promote the cultures of Eastern Europe (after assiduously promoting its products there). Pepsi is sold in the Soviet Union in proportion to the Stolychnaya it purveys in the West, an arrangement that long antedated perestroika and the burgeoning possibilities of two-way traffic across

the cultural divide. Frank Lipsius

ARTS GUIDE

THEATRE

flourished.

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shy-lock is a sympathetic, sema-phore-gesturing allen in Peter Hall's fine Venetisn Renaissance production, with Geraldine James as a superb Portia (836

James as a superv Furia (coo 2294).
The Black Prince (Aldwych).
Iam McDiarmid gives the perfor-mance of a lifetime in Iris Mur-doch's distillation of her own Hamlet novel. Witty black farce, virticlic and entertaining (836

6404).

Ivanov (Strand). Alan Bates and Falicity Kendal lead a new ad hoc classical company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical snicide a Simon Gray character (836 teath July SlAup 5. a Simon Gray Character (836 1860). July 31-Aug 5. London International Festival of Theatra. LEFT, the fifthhieu-nial festival takes place all over London during July Recom-mended highlights are the Abbay Theatra of Dublin in TomMurphy's A Whistle in the Dark at the Royal Court (730 1745) all month and the Comédie de Genève in Strindberg's Miss Julie at the Lyric Hammersmith (741 2311) in the last week only. More 2311) in the last week only. More details on \$40 2428.
Anything Goes (Prince Edward).
Cole Porter's allly ocean-going 1930s musical has four or five marvellous songs and Klaine Paige fathing to emulate Kthel Merman. Jerry Zaka's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (784 8961, cc 836

BBC Welsh Symphony

most carefully disciplined attack and sense of balance

from every member of the

band. It was a pleasure to hear such a keenly concentrated Mahler sound —

not "fat," not warmly rounded in the Central European

manner, but full of alertness to

the mysterious play of shades and mances under the surface

of Mahler's most Classical

hear such a surely guided unfolding of the movements.

Mr Otaka is an unsentimental

Mahler conductor (perhaps

he guards against sentimentality even a little too

rigorously: the portamento bowings were under-emphasized, and, with them, a

It was also a pleasure to

meruma sare (134 esc.), cc aso 2428).
Single Spies (Queen's). The high-light of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Bunt in the royal picture gallery. Clive Francis plays Guy Burgess in a rehash of Bennett's fine TV film An Englishman Atrona (734)

1166).
M. Butterfly (Shaftesbury).
Anthony Hopkins as the tortured diplomatic hero in a Peter Shaftesbury. diplomatic hero in a Peter Shaffer-style "speciacie of ideas"
dressed up in John Derter's
superh production as a metaphor
of homosextal life. The transvestite tragedy proves less electrifying than in New York; the play
is not very good but still worth
seeing (379 8398).
Brigadoon (Victoria Palace). 1947
Larner and Lowes "heatherscented" Scottish fairytale hit
is handsomely revived and well
sung, less frall than expected
(834 1817, cc 836 2426).
Hencedurward (Vandaville). Martin Jarvis and Joanna van Gyseghem in bleekly funny and
experimental Alan Ayekhourn
comedy of future shock and
strained marriage. A tale of
obsession, devotion, computer
music, women as robots, gangs music, women as robots, gangs on the streets and a tug-of-love (836 9987, ce 741 9999). Aspects of Love (Prince of Wales). Andrew Lloyd Webber's

latest is an intimate chember operetta derived from David Ger-

by Trevor Num, a cast of unknowns project the right sense of sybaritic insouctance. A proba-ble, but unspectacular, bit (839

nett's 1955 novella. Musically interesting and well directed

New York

performance

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-win-Wendy Wasserstein's award-win-ning drama covering 20 years in the life of a successful Ameri-can baby boomer goes from sup-port for Eugene McCarthy's pres-dential aspirations to electoral ambitions in the 1980s, accompa-nied by the musical and emo-tional flavour of the period (239 8200). 6200). Lend Me a Tenor (Royale). A sprucing up in the set of a decay-ing town's big time opera ambi-tions makes a transatientic hit

ironic inflection). But he feels

with very evident strength the

unities of the symphonic argument, the shape and development of the spiritual

Each movement built

naturally, led naturally, to its successor, the finale, sung by

Joan Rodgers with ideal

freshness and unsimpering sweetness of tone, summed up

the special features of this

marvellous work, just as it should, and also the special qualities of this admirable

In the first half conductor and orchestra, and with them

the subtly musical cello soloist

tions makes a transatiantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (289 8200), Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an anthentic touch. Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of

the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, includ-ing On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a con-

previty of each piece, with a con-temporary crew of Broadway aspirants who lack the multi-tal-ents that inspired the heyday of the musical. Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous clamming doors and lots of musstamming doors and lots of mugmisses as often as it hits. Chris-tine Baranski leads an ebullient cast in the inevitable but disap-

cast in the inevitable but disappointing hit.
Cats (Winter Garden), Still a
sell-out, Trevor Nunn's production of T.S. Eliot's children's
poetry set to music is visually
startling and choreographically
feline (239 8282).
A Chorus Line (Simbert). The
longest-running musical in the
US has not only supported
Joseph Papp's Public Theater
for eight years but also updated
the musical genre with its beckstage story in which the songs
are used as axiditions rather than
emotions (238 8200).
Les Misérables (Broadway). The
magnificant spectacle of Victor
Hugo's majestic sweep of history
and pathos brings to Broadway
lessons in pageaniry and drama
(239 6200).
Me and We Girl (Marnuis). Even (239 6200). Me and My Girl (Marquis). Even

if the plot turns on front mim-icry of Pygmalion, this is no clas-sic, with forgettable songs and sic, with forgentable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill).

The surprise Tony winner for 1000 is a somewhat protestions.

1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220). Phantom of the Opera (Majestic). Stoffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunt-ing melodies in this mega-trans-fer from London (239 6200).

A Funny Thing Happened on the Way to the Ferum (Good-

July 28-August 3 man). Stephen Sondheim's most popular musical, for which he wrote hoth music and lyrics, stars Louis DiCrescennzo as Pseudolus in Burt Shevelove and Larry Gelbart's adaptation of Plantus. Ends Aug 6.

Driving Miss Dalsy (Briar Street). The touching relation-ship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (288 400) (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Les Miserables (Auditorium). The international spectacle has settled in fur a long stay by the Great Lakes (922 2110).

Tokyo

Les Miserables. Imperial Theatre (201 7777). Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. The production is a recreation by Trevor Nunn and John Caird of their London and John Carri of their London original — complete with John Gunter's amperb set and lighting. Noh. National Noh Theatre (Wed at 1pm) (423 1331). Hanjo (The Chi whose Lover Went Away), by the great 15th century noh mester Teams Man a kyngen master Zeami. Plus a kyogen comic interiude. Japan's most esoteric art form is not to everyone's teste, but everyone should see it at least once, since it is the world's oldest living form

FINANCIAL TIMES

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Friday July 28 1989

Reform of safeguards

OVERSHADOWED BY the more eye-catching issues of farm reform and trade in ser-vices, the debate on safeguards is actually one of the most important items on the agenda of the Uruguay Round of multilateral trade liberalisation talks. Its outcome will be cen-tral to the success or failure of

the round as a whole.

The term "safeguards" is trade policy shorthand for the emergency measures that countries take to protect their countries take to protect their industries against serious injury caused by fairly traded imports. Existing rules in this area are flouted by the main trading powers, which bypass the General Agreement on Tariffs and Trade, creating a web of such "grey area" measures as voluntary export restraints

The proximate aim of reform would be to bring safeguard action within the Gatt, but the ultimate aim would be to improve the capacity of economies to adjust to change. It fol-lows that bringing present behaviour within the Gatt would not itself be a solution. None the less, a liberalising reform of safeguards is important. To take one example, without such reform the phasing-out of the Multi-Fibre Arrangement, which governs world trade in textiles, will not be secured.

Surge of imports

Securing reform has proved intensely difficult, the main problem being that a formula-tion likely to bring grey area measures within the Gatt is regarded by most small countries as dangerously permissive. The principal controversy is over selectivity – the right to introduce protection on a discriminatory basis.

Industrial powers like the US and the European Community wish to avoid harming the interests of traditional suppliers when a surge of imports comes from just a few sources. Developing countries fear that, far from incorporating textiles within the Gatt, a "reform" that permits selectivity would effectively incorporate the Gatt within the MFA.

Some elements of reform would be more readily agreed: Gatt-consistent safeguard protection might be introduced without consultation with.

by one's trading partners; it should be time-bound and degressive; and it should be introduced only after serious injury has been proved. The instruments of protection should themselves be transparent (preferably tariffs or auctioned quotas). Finally, longer term protection should be accompanied by a commitment

Ideas on these lines appear in the EC's proposals to the negotiating group on safe-guards. Some of them have en taken up by Mr George Maclel, the group's chairman, whose paper is now the focal point for discussion.

MFA experience

Once the above elements have been agreed, the question of selectivity might be resolved by permitting countries to agree to selective action, but denying importers the right to impose it unilaterally. The view that the right to impose selectivity can be controlled by compensation requirements, time limits and adjustment obligations is implausible, as has been suggested by experience with the MFA. Under consensual selectivity, however, any restraint would necessarily be judged better by the exporter than the alternative of global protection. Any such measures are likely to be of modest economic concern.

In the long term, the best way of curbing costly forms of protection is to make them more transparent. The Gatt should be given an independent, authoritative and public role in monitoring safeguard actions to ensure they are applied fairly, without duress and in conformity with the rules. Its main function would and draw attention to abuses.

Equally important, requests for safeguard protection need to be evaluated by domestic procedures that assess and publicise not merely the injury caused by imports but the injury likely to be caused by safeguard protection. In the last resort, costly forms of pro-tection like VERs are unlikely to be curbed by international agreement alone. They may, however, become unacceptable to a more enlightened public

Planning for the countryside

AMONG THE issues on the desk of Mr Chris Patten, the UK's new Environment Secretary, is one which has so far received little publicity but needs urgent attention. This is the Government's policy towards the countryside. Unless changes are made soon, damage could be caused to many a landscape throughout Britain at a time when an increasingly leisured population wants to enjoy more of its

benefits, not less. At the heart of the problem is a conflict between the belief in a free enterprise economy which encourages development in rural areas and the recogni-tion that a great deal of preserving "for its own sake". Following the wartime Scott

Commission on land use, farmland was given vigorous pro-tection as the prime source of food, while in much of the postwar period residential development has been subject to a well-defined planning system. However, against today's background of declining need

for agricultural land its protection from non-farming develop-ment has been weakened. Yet, as is shown by the case of Foxton Wood, the 4,800-house development in the Hampshire countryside which the plan-ners turned down but former Environment Secretary Nicholas Ridley said this month he was "minded" to allow, there is great controversy over country residential development.

Turning point As far as farmland is con-

cerned, the turning point came early in 1987 with the controversial Alternative Land Use and Rural Enterprise (Alure) programme. Now a new pro-posal has emerged which, if allowed to become law as Mr Ridley intended, could lead to the country and further weaken the planning system, In a consultative paper issued in May, the DoE proposed to extend the present exemption from planning permission for agricultural buildings, which is now enjoyed by formers and landowners (and farmers and landowners (and, at least in theory, by anyone else owning just under an acre), to a wide range of non-farming activities. "Theme" and amusement parks, zoos,

safari parks, ballooning, flying and the repair of machinery together with "associated catering facilities" are among

While the proposals have been publicly welcomed by farmers and landowners, privately there is anxiety that the plethora of developments which could ensue might further damage their standing with the public. Conservation groups like the Council for the Protection of Rural England are deeply opposed to the pro-

Wider threats

The critics note the wider threats to the countryside which could flow from the likely sale of now protected land by the privatised water and electricity industries. The Government has also proposed important changes in the whole planning system outside the big cities. In January, the Government

published a white paper, intended to become law in the next parliamentary session, to abolish county structure plans, instead making it mandatory for over 300 district councils to produce local plans for devel-

In the sense that the districts are often most protective of the countryside this might seem no bad thing. The trouble is that the move is widely interpreted as a dangerous weakening of strategic planning across the country just at a time when a strategic approach to a range of issues from the Channel Tunnel to

new roads, housing and the countryside are badly needed. Some conflict between a pol-icy which seeks both to encourage rural development and to protect the countryside is inev-itable. It would be unrealistic to expect Mrs Thatcher's Government to adopt the sort of directed planning which char-acterised the post-war years. But Mr Patten - with the help of his new colleague at agriculture, Mr John Gummer, who has made a point in his first week of expressing his concern for the countryside must look again at May's consultative paper. Britain's land-scape is too fragile a resource to allow landowners to escape the controls which others must

Guy de Jonquières on how European monetary union might benefit industry which would be affected by economic and monetary

union, none stands potentially to reap more direct practical advantages than European business, which has long grumbled about the costs and uncertainties of coping with

different, fluctuating currencies.
Yet any attempt to identify the tangible benefits which European monetary union (Emu) might bring faces two immediate obstacles. One is that it is still much too distant a goal to feature in companies' planning.
Some, such as St Gobain, the large

French pipe and glass group, already use the European currency unit on a limited basis — for example, to set internal transfer prices — and have issued Ecu-denominated debt. However, they are a minority. A poll of 700 European companies last year by the Association for Monetary

Union in Europe, a pressure group formed by corporate enthusiasts of Emu, found that only 44 had ever used the Ecu for any purpose.

The second problem is that, despite extensive academic research over many years, little is known for sure about how currencies influence busi-ness behaviour. "The question has consistently defeated economists," says one European Commission offi-cial. While confident that Emu would

provide a boost to European Industry, he admits that such optimism is based more on "inspired intuition" than on any empirical evidence.

A common currency would, of course, simplify life for companies doing business across European bor-ders by eliminating foreign exchange transactions. That would remove an appreciable burden from smaller firms, which often pay stiff bank charges for such services and lack the expertise required to hedge effectively

against adverse currency movements. But the cost savings would be much more modest for big companies, which are better placed to drive a keen bargain with banks. Many multinational groups handle foreign exchange in-house through their trea-sury departments, which deal directly in the markets. By using sophisti-cated systems to "net out" foreign currency assets and liabilities, they also minimise the amount of cash they need to transfer.
Of much greater concern to many

big companies are the difficulties of planning against a background of vol-atile exchange rates. "Today, almost all our business decisions are influenced by currency movements. It all consumes a huge amount of manage-ment attention, above all in a business where margins are slim," says Mr Dick Snyders, finance director of Philips, the Dutch electrical and elec-tronics group. Nowhere are the uncertainties more

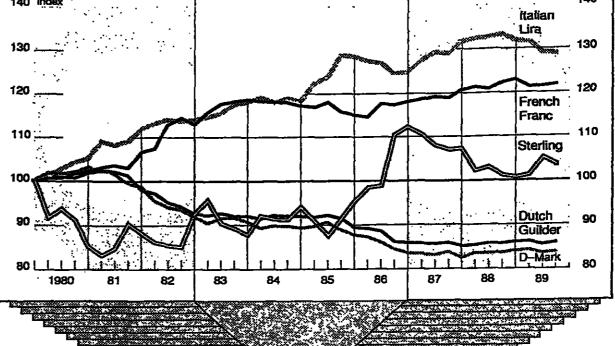
acute than in decisions on plant loca-tion. "You can do all your work on labour costs and productivity, but exchange rates can totally change the small deals of up to \$10,000 (£6,060) but only 0.1 per cent

MOVES TOWARDS European monetary union would lift a heavy burden from the backs of Europe's smaller busi-nesses, most of which lack the expertise to deal with the complexities of foreign exchange markets.

Continental European comnies are already benefiting from the stability provided by the European Monetary Sys-tem. British businesses and continental firms which sell in the UK would welcome the inclusion of sterling.

Smaller businesses pay a high cost for converting small amounts of foreign currencies, says Ms Jane Waters, a foreign exchange consultant. Banks typically charge 1 per cent on

European currencies relative to Ecu italian Lira



The attraction of greater certainty

cost equation," says Mr Murray Reichenstein, vice president of finance at Ford Europe.

Ford can and does shift work between production bases and suppli-ers in different countries in response to exchange rates, though relocation on a large scale can be justified only on a large scale can be justified only if a currency stays out of line for a long period. The problem is to know when an adverse exchange rate move is more than just a temporary blip and Mr Reichenstein readily admits that Ford's predictive powers are from infallible. "Over a 10-year period boy, we really missed it," he says.

Bosch, the West German vehicle components supplier which recently announced plans to build a £100m plant in Wales, says it is assuming

on larger amounts.

Van Halteren, a Dutch meat processor with annual sales of

£23m, pays about £25,000 each

year to hedge the riskier cur-rencies, such as sterling, in

which it does business, says

director. Currencies within

EMS pose less of a problem. Sales to Germany are practi-cally risk free because of the

close links of the Dutch and

German currencies. The

French franc and Italian lira

do occasionally run into cur-rency turbulence but, accord-

ing to Mr de Mas: "You can

smell the smoke if they bounce

against the EMS limit."

that sterling will steadily depreciate against the D-Mark in the medium term. Unless that happens, persistence of the current gap between UK and German inflation rates will be bad news for German investors in Britain," according to Bosch's chief economist, Dr Adolf Ahnefeld.

Yet it is possible to exaggerate the overall impact of fluctuating currencies on European industry – for three reasons. First, even in a single market, decisions on plant location in some sectors will almost certainly continue to be dictated less by exchange rates and relative costs than by the need to be close to customers. This is true, for example, of the oil and bulk chemical industries, which have set up their plants to serve

defined regional markets and are ighly sensitive to transport costs. GKN, the British engineering group, says most of its European customers for vehicle drive shafts require them produced near their factories. We haven't got the freedom to say which countries we'll invest in," says Mr Bill McLuskie, GKN's group trea-surer. "You either build the plants where they are needed or not at all."

Secondly, it is widely agreed that currency considerations play only a minor role in large cross-border acquisitions. "When a very big group has decided on a strategically important move, exchange rates are not so important," according to Mrs Rose-Marie Yatsimirsky, chief economist at CGE, the French electrical group which three years ago acquired con-

tional books, has always

needed to be canny in its deal-

ings with foreign currencies. It has to wait for a year between taking an order for its diaries

On Mr Pearce's advice, Letts now builds currency forecasts

into the business plan stage

time of shipment. It is also starting to use more flexible options instead of simple forward contracts to hedge its risks and is setting foreign

currency spending against

receipts to reduce overall

exposure.
Frightened off using the textbook exchange hedges

forward transactions or cur-

rency option arrangements -

ther than waiting until the

and receiving payment

trol of the European electronics businesses of ITT of the US.

Third, and most important, most of European industry has not had for some time a serious problem with cursome time a serious problem with currency volatility. It has a sterling problem — and that is chiefly a headache for UK businessmen. Two surveys by the Confederation of British Industry this year found that more UK companies are were about the archaeouter. nies are worried about the exchange

rate than about interest rates. This sort of anxiety is much less or even non-existent in countries such as France and Germany, which are has members of the European Monetary System. More than 40 per cent of both these countries trade is with other EMS members.

"When French businessmen talk about currency movements these days, they mean the dollar and the yen. They aren't really troubled by fluctuations within Europe," says Mr Philippe Combin, financial director of the Betaviat the Franch combiners. the Patronat, the French employers' federation. The BDI, its German equivalent, says most of its members are happy with the stability provided by the EMS.

Philips and KI the large IK chemi-

Philips and ICI, the large UK chemicals group, have become so accustomed to the stability of currencies in the inner EMS bands that they no longer bother to arrange forward cover on transactions between most of them. Mr Reichenstein says that if all European currencies fluctuated by no more than 2 per cent, the exchange rate problem would be largely solved

for Ford.

So, from the standpoint of European business, is Emu really necessary? What would it add that could not be achieved by subjecting all currencies to the disciplines of the EMS? The main answer is increased certainty. EMS central rates have not been adjusted for more than two years but doubts are growing about been adjusted for more than two years, but doubts are growing about how much longer this situation can last. The system may come under renewed strain after EC capital con-trols are lifted next year — all the more so if the performance of Euro-pean economies begins to diverge sharply. There is also a risk that parity changes would be more frequent if sterling became a full EMS member.

By locking exchange rates together, monetary union would guarantee more permanent stability. Even more important, in the view of some European businessmen, such an arrange-ment would also enforce policy disci-plines on governments which might lead to increased economic convergence and lower interest rates.

For most of European industry, the detailed mechanics of monetary union are a side issue: what matters is that, if the plan goes ahead, it should pro-duce a system which is credible and inspires confidence. Until they have that assurance, even the most enthusiastic European businessmen are unlikely to accord Emu the impor-tance in medium-term corporate strategies which many are giving to 1992.

because of their perceived complexity and cost, many small businesses simply take evasive action. They invoice customers in their own (the supplier's) currency; some delay making transfers of funds until currency rates are favourable; while others boost

risk.
All these manoeuvres carry risks. Better by far, small business owners argue, to establish a foreign exchange framework which allows companies to get on with publishing diaries or selling computer software rather than watching currency movements.

Charles Batchelor

Diplomats talking

Foreign diplomats have been talking frankly about Britain's place in international diplomacy, and their views are not entirely flattering. For example, being posted to London is now regarded as more a reward than a challenge. And more foreign countries now have missions in Bonn than in the British capital.

The diplomats express them selves "baffled" about British social behaviour — a mixture of orderly, courteous queueing and uncontrollable football hooliganism. They are also puzzled about British foreign policy. There is a unanimous belief that the country is not making the most of its opportunities in Europe. On the other hand, London

is still a key base for foreign journalists. The US has 120 permanent correspondents here: Japan has 70. West Germany 60 and France 38. The facts and views emerge from the summer issue of International Affairs, the quarterly review published by Chatham House. They have been compiled by Mette MacRae, a Danish freelance journalist who normally writes under a pseudonym, but is this time using her real name as the wife of Christopher

MacRae, a British diplomat on secondment to the Cabinet Office.

MacRae totted up the numbers, then went round talking to heads of mission and their staff. The numbers themselves are quite striking: the US employs twice as many diplomatic staff in Paris than in London, something to do with the language perhaps. But it still has the largest diplomatic presence in Britain: followed, oddly enough, by Egypt.

London is awash with mili-tary attaches - they account for one third of all diplomats in most South American embassies. This is because of London's importance as an arms procurement centre. Lon-

OBSERVER

don is also regarded as a source of international intelli-

The diplomats were not exactly rude. They did wonder, however, why the originator of the world's foremost language "should so persistently neglect the value of education and culture". Between them they described British educa-tion as "backward", "inadequate" and a "downright scan-dal". They also thought that Britain continued to be complacent, despite the Thatcher

years.
Their biggest regret was about the country's lack of European commitment. All diplomats questioned, including those from the Commonwealth, said that Britain could best exert its influence through increasing European political

cooperation.

There was a final compliment to the Foreign Office.
Foreign diplomats like working in London because they admire the skills of the British diplomate and intelligence corriege. matic and intelligence services. These were much higher than in Washington, they said.

Drugs at base Julio Londoño, the Colombian Foreign Minister, was detained by Customs and Immigration officials in Washington the other day because virtually all visitors from Latin America, and perhaps Colombia especially, are being searched for drugs.

In London's case, they may

have gone too far. They used a metal rod to prod his suitcase, damaging his shirts and shoes, though official apologie

were eventually made by the State Department.
Another Latin American, Pablo Grinberg, is trying to tackle the drug problem from the home base. Grinberg is a Peruvian journalist whose compaign against drug-traffici campaign against drug-traffick-



Mr Michael Pearce, a consul-

tant advising smaller compa-

nies on foreign exchange risks, says he sometimes recom-ments that his larger clients

set outgoings in an EMS cur-rency against income from any other EMS member currency

and not just against receiv-

Small firms are increasingly able to deal with small fluctu-

ations between currencies

within currency blocks such as

the RMS, says Mr Lister Vick-ery, managing director of Dia-dem, a French computerised

graphics company with sales of Ffr 30m (£2.87m). What wor-

ries Mr Vickery are the wider swings between the European

"He must have caught the

ers has caused him and his family to face increasing threats and intimidation. He is in Washington this week talking to fellow journalists and Congressmen, trying to drum up support for an international symposium on the close links between the drugs and targation at thick trade and terrorism which opens in Lima from October

The conference is being organised by the Association of Journalists in Peru who want to attract international attention to their country's plight as it struggles to fight the drug traffickers and the Shining Path terrorists who, Cripbers says, have felled. Grinberg says, have killed 15,000 people. It will include two day-trips to the coca fields. Grinberg works for Caretas,

a mass circulation news magazine in Peru. Yet despite his knowledge of the subject, he has found it almost impossible to gain access to senior US officials, including William Bennett, the Bush administration's

Bad maps

main customers.

You can knock several min-utes off the hour and a half walk from just south of the Southwark Bridge to Notting Hill Gate that we recorded last week, and I am grateful to a reader in South London for pointing this out. The fast track is to cross not the Westminster, but the Hungerford Bridge, then to cut through the Horseguards Arch and out into the Parade Ground, where you may even be saluted en

currencies and sterling and the dollar. "These currencies

belt off into the nether regions

and stay there for three years," he says. "There is no pendulum effect to balance

things out." Smaller busi-nesses throughout Europe are

very vulnerable to these move-

"The foreign exchange mar

kets appear arcane so people shy away from them," com-ments Mr Pearce. He thought

he would be dealing with cli-ents with turnover of between

£500,000 and £5m but has

found that larger companies in the £5m-to-£50m range are his

Charles Letts, a British pub-

lisher of diaries and educa-

The Hungerford Bridge has a minor hazard of its own. There is almost a moral obligation to pay a kind of toll charge to London's homeless,

who occupy it in some force.
The reader, however, makes
a much wider point. This is that most of us carry a distorted map of London in our heads. We assume that, apart from a few bends, the Thames runs east-west. In fact, around Westminster it runs northsouth. Thus although the Financial Times has moved south of the river, it is still just about north of Trafalgar

One of the reasons for the distorted mental map is that we tend to take it from the plan of the London Underground, which is how many of us came to know the capital in the first place, but which is thoroughly misleading and takes no account of the course

of the Thames. Another reason, which our reader does not mention, we can be misled by the A-2 street map, dotting from page to page and never showing the big picture. There are very few good maps of London as a whole. Someone might fill the

Dyslexic

■ Sign over a second-hand copy of a Dictionary of Modern English Usage on a stall in a Lambeth market: "Say it with

HOW GOOD AN INVESTMENT IS WATER?

Investing in water shares may sound like a bad joke this week. But when the £5bn privatisation sale takes place this autumn, the summer drought will be forgotten.

With barely 4 months to go before the sell off, Investors Chronicle examines some of the key questions:

How attractive an investment is water? Which of the ten water authorities are likely to be the best buy?

Is it privatisation or the EEC that's forcing up consumers' bills?

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he cracks appeared in Mrs Margaret Thatcher's Cabinet reshuffle even before the

paint was dry.

The intended image beamed into a disgruntled nation's sitting rooms of fresh faces bringing new energy and sharpened presentational skills to a tired and unpopular Government lasted just a few hours.

instead the electorate was offered a rare, and distasteful, glimpse into the intrigue and distrust behind the reinctant departure of Sir Geoffrey Howe

tant departure of Sir Geoffrey Howe from the Foreign Office.

Applause from Conservative MPs for the appointments of Mr Kenneth Baker to the party chairmanship, Mr Chris Patten to Environment and Mr John Major to the Foreign Office

quickly gave way to dismay.

The offer to Sir Geoffrey of Mr
Douglas Hurd's job at the Home office – and Downing Street's deni-gration of his new role as Leader of the Commons and deputy Prime Min-ister – left Mrs Thatcher looking ruthless and authoritarier looking ruthless and authoritarian rather than newly responsive to the mood of the country. As one veteran at Westminster of countless reshuffles put it, the voters saw that the Prime Minister wheel left blood on the walls as ter "had left blood on the walls as

well as on the carpet,"
Her relations with Mr Nigel Lawson, the Chancellor, have long been marred by differences over exchange rate policy and the European Mone-tary System. This week she was seen to have further alienated Sir Geoffrey and undermined Mr Hurd.

A middle-ranking minister con-essed that the mood of suspicion was such that when he had received news of his reappointment he had instantly "checked the fine print" of his repon-sibilities.

He, like his colleagues, was looking forward with audible relief to the start of the long summer parliamentary recess, concluding that the dis-closures left the initial impact among the electorate of the reshuffle, as, at best, neutral.

That is hardly encouraging for a Government trailing the newly moderate and confident Labour party by 10 points in the opinion polls; more especially when it is still committed to another wave of unpopular policies ranging from water privatisation, to health service reform, to the poll tax. Ministers are hoping that the image of blood-letting will quickly fade, leaving the new ministerial stars to make

their mark.
Sir Geoffrey is being urged by friends to put the disappointment behind him and to concentrate on trying to build up his new role into one comparable to that enjoyed until 18 months ago by Lord Whitelaw. Mr Hurd, offered public reassurance by Mrs Thatcher about his future, has taken the slight against him with

quiet dignity. Thoughtful Labour MPs agree that, over time, the new Cabinet - tilting the Government's political balance towards the centre - will present it with a much more formidable target than it has become accustomed to in

Water privatisation and the poll tax

Philip Stephens reflects on the political fallout from the British Cabinet reshuffle

A wrong move by Mrs Thatcher

will probably never be popular, but few ministers are better equipped with the political and presentational skills needed to limit the damage than Mr Patten.

His appointment brought almost universal praise from the Conserva-tive backbenches — even from those who are acutely distrustful of his lib-eral views on the economy and social

policy. Mr Nicholas Ridley, despite his for midable intellect, seemed to be fight-ing as hard as he could to lose the battle for the ever-expanding "Green vote." His sideways move to the Department of Trade and Industry, one rather dismayed member of Labour's front bench team commented, may have saved Mrs Thatcher a million votes.

Similarly Mr Cecil Parkinson's appointment to Transport and the replacement of Mr John Moore at Social Security will strengthen two

other important weak spots.

Mr Baker, probably the smoothest political operator in the senior ranks of the Government, will bring new energy and skill to the party machine and should boost the sagging morals of its workers in the country.

As a follow minister but it is on

As a fellow minister put it in an oblique reference to Mr Baker's longer-term ambitions: "No one wants us or needs us to win the next election more than he does."

Despite the expectation that he would win significant promotion, Mr Major's dramatic move to the Foreign Office remains something of a mystery to many of his colleagues.

Mrs Thatcher was keen to defuse
Sir Geoffrey's opposition to her poli-

cles towards Europe – and to break the alliance he had forged on the issue with Mr Lawson. But her thoughts may have been on the succession as much as on foreign policy.

Once she had accepted that Mr Baker should get the party chairman-ship she wanted to ensure that he was not immediately hailed as the chosen Heir Apparent.

There is a question mark over whether the inexperienced Mr Major – a Cabinet minister for only two years - can meet the challenge of running one of the most important departments of state; and over whether he can resist Downing Street's ever-tightening grip on for-

ign policy. His friends insist that he is bright



enough to know that it would be disastrous both for his own future and for the Government if he became a cipher for Mrs Thatcher's views. During his time at the Treasury

proved himself both politically skilful and sensitive. Enemies as well as friends give him credit for acute polit-ical antennae and for his refreshing disdain for ideologues

But the success or otherwise of the new, more telegenic and sympathetic, ministers in lifting the Government's spirits and in restoring its fortunes in the opinion polls will not rest in their

Like their predecessors they will be reliant on Mr Lawson, one of the few Cabinet ministers untouched – save for the loss of his country house - by this week's reshuffle. Behind the litters over health ser-

vice reform, over the environment, over water and electricity privatisa tion, and over the poll tax, voters and ministers alike share a much deeper

concern - over the outlook for the

economy.

The conventional wisdom is that if Mr Lawson manages, as he has promised, to bring down inflation and interest rates, most of the other problems can be neutralised if not solved by spending just a fraction of the Treasury's massive budget surplus. Mrs Thatcher's autocratic style and her apparently disdainful treatment of senior ministers should become a Westminister sideshow if voters see mortgage costs falling, income tax rates coming down and their incomes

climbing.

Handling the pressures for closer
European integration — as Mrs Thatcher's angry response to President François Mitterrand made clear yesterday - may still prove tricky. The Prime Minister may use Mr Major's appointment as an excuse to retreat from the compromise she accepted at the Madrid summit. But the electorate are more interested in

better schools and hospitals and in cuts in the basic rate of income tax than in the EMS.

The problem is that the Treasury is far less sanguine than it publicly admits about whether and how soon Mr Lawson can deliver what he has

promised.

It is predicting fairly confidently that the annual inflation rate, as measured by the retail prices index, will come down to around 6 per cent by the end of the year.

The recent ratcheting up of the level of pay settlements, however, has reinforced its fears that the rate may then stick at just below that level for most of 1990.

For a Government that started its third term of office with prices rising by only 4 per cent a year and which has promised to eliminate inflation entirely, that is simply not good

mough. At best it would mean mean borrowing costs remaining close to their present levels for much, if not all, of next year and a continuing squeeze on the growth in real incomes.

Just as importantly it would also

imply that the Treasury would refuse to deliver the major relaxation of the constraints on public spending which many ministers assume will come next year. So Mr Kenneth Clarke could find

self trying to sell his NHS reforms without enough money to buy off the medical professions, or to assure a sceptical public that he is ready to pay for more doctors and incubators as well as accountants and comput-

Mr Patten may have to depend as much on his natural charm as on extra cash to sweeten the bitter electoral pill presented by the poll tax. Mr John MacGregor, newly installed at Education, could discover he has been left with a brand new core curriculum without enough teachers to deliver it.

If the Treasury's pessimism — and it is shared by Mrs Thatcher's advisers in Downing Street — proves justified, the Prime Minister will also find it much harder than she might have hoped to erase the political damage inflicted by this week's revelations.

Sir Geoffrey's ambitions have not been blunted and his strong standing in the party was graphically underlined again by the noisy welcome he received from Conservatives in the Commons yesterday. His views on the need for Britain to take a more posi-tive approach to its role in the Euro-pean Community are firmly held and widely shared on the Tory back-

Mr Hurd has never been close to the Prime Minister, but his respect for her has been diminished. Mr Lawson is thought likely to want to leave the is thought likely to want to leave the Government when he manages to get inflation down and is offered a suitable job in the private sector.

Back in 1985, when the economy was booming, inflation was under control and the Labour Party was

dogged by its own bitter in-fighting, Mrs Thatcher could probably have shrugged off such internal dis is far less certain she will be able to LOMBARD

The world's worst tax

By Michael Prowse

pher Patten, the new Environment Secretary, is probably not too worried that he will have to preside over the introduc-tion in England and Wales of the community charge or poll tax. He is already uttering banalities worthy of the tabloid press, such as "the community charge will put the community in charge." Being shrewd and ambitious, he will do everything in his power to smooth the transition from domestic rates. Don't be surprised if the "safety net" proposals announced last week by Mr

Nicholas Ridley, his predecessor, are made more generous. But if Mr Patten manages to But if Mr Patten manages to minimise opposition to the poll-tax, he will have scored a hol-low victory. To gull people into tamely accepting a morally indefensible and chronically inefficient form of taxation can hardly be a score of raids. "I hardly be a source of pride. "I put the clock back 500 years, undermined local government finance and introduced the cru-dest form of tax found anywhere in the developed world," is not the sort of remark likely to impress the grandchildren. It cannot be right to say that all adults living in a neigh-

bourhood should pay the same flat charge for local authority services. Nobody would attempt to defend such a principle at the national level; the most neo-libertarians demand is a tax system *proportional* to income or wealth. The Government's claim that it is catering for differing ability to pay
-through its complex system
of rebates for the poorest -deserves nothing but contempt. Nurses with small incomes and tiny flats will be paying the same as millionaire

The fact that rebates are being extended to about 10m of the poorest merely demon-strates the idiocy of the original proposal. It was absurd to insist that the least well off, including those on subsistence state income, must be made liable to taxes which everybody knows they cannot pay. The Government's policy was once to raise tax thresholds and reduce the numbers forced into humiliating dependence on means-tested benefits. The poll tax will do the exact oppo-

POLITICIANS cannot afford to site, while causing a signifi-have principles. So Mr Christocant deterioration in work

Never mind, Mr Patten will argue, it will serve a Higher Purpose: that of local accountability. A community needs a flat rate levy in order to be able to take charge of its affairs. Really. The poll tax is unique to Britain. Yet local communities in countries as diverse as Sweden, Japan and the US manage to control their spending without recourse to medieval levies — and without the UK's extraordinary battery

of central government controls. The "reforms" which Mr Patten is now stoutly defending leave local councils in control of only about a quarter of their revenue. (Business rates in future will be centrally deter-mined.) This would be an absurd state of affairs even if the local tax were robust and fair. It means that if local people want to spend 5 per cent more than London-based Mr Patten decides is proper, they have to raise the poll tax by 20 per cent. Because the levy is flat rate, it will fall dispropor-tionately on the low paid. Yet much local spending, for example on community care and housing subsidies, is a response to unmet needs of the poorest in the community. In other words, councils will not be able to help the poor with-out penalising those on low

Many people oppose the poll tax but believe continued oppo-sition is a waste of time. This is unnecessarily apathetic. As Peter Esam and Carey Oppenheim argue in their new book*, the rational response is to search for an alternative form of local taxation, based on ability to pay, which provides a secure base for local spending. My own view is that some form of local property tax is essential, but that it could be supplemented by a progressive income tax. One thing is cer-tain, the shoddy system of local government finance invented by Mr Kenneth Baker, the Tories' smiling party chairman, will not outlive the 1990s.

*A Charge on the Community. £5.95. Available from CPAG, 1-5 Bath Street, London ECL

'Its own worst enemy'

From Mr Welter C. Patterson
Sir, David Fishlock (July 25)
gives "anti-nuclear campaigners" too much credit. The diffiers" too much credit. The diffimised that they could halt Magculties British Nuclear Fuels encountered in reprocessing Magnox fuel in the early 1970s did nothing to "launch nuclear fuel reprocessing into the pub-lic arena;" BNFL kept not only the public but even the special-ist trade press like Nucleonics Week in the dark about these

Not until the Windscale inquiry of 1977 was it possible to place together the full story, when Friends of the Earth (FOE) cross-examined BNFL

nox reactor operations if they could prevent reprocessing of its fuels". On the contrary, the focus of controversy from 1975 onwards was the proposed Thermal Oxide Reprocessing Plant (THORP) — for oxide fuel, not Magnox fuel. Subsequent developments have borne out essentially all the criticisms put forward in evidence by FOE. Reprocessing oxide fuel is unnecessary and uneconomic, and complicates nuclear waste management; BNFL's cost-plus contract to

The EC could knit it all together

From Mr J.A. Nightingale
Sir, Your report of the EC's
proposals to the Gatt on world proposals to the Gatt on worm trade in textiles and clothing rightly stresses the link between the future of the multi fibre arrangement (MFA) and proven progress in strengthen-ing Gatt rules and disciplines. RC backing for this linkage is

The UK apparel, knitting and textile industries are striving to achieve international competitiveness by investment, high productivity and good management. The Gatt's tolerance of competition based on dumping, export subsidies, theft of intellectual property, protectionist tariffs and blan-ket import bans is unaccept-

reprocess fuel from advanced gas-cooled reactors 9AGRs) may help to make the AGRs fully as unappetising to potential investors as the Magnox units were acknowledged to be. But the nuclear industry's difficulties are entirely of its own making. If it had listened own making. If it had listened to the critics, instead of attempting to discredit them, it might not now be in such a terminal mess. The nuclear industry has always been its has done itself may now be irreparable. Walter C. Patterson

10 Chesham Road, Amersham, Buckinghamshire

able. Real and demonstrable progress must be made in removing these distortions from international trading. Any idea that the MFA can be relaxed without resolving these other issues is illusory. Allan Nightingale Apparel, Knitting & Textiles Alliance,

comment by "City, and City-minded, economists" (July 26). But gurus derive their power and self-importance from the gulfibility of their disciples. So

the rest of us are equally to

Germany's notable success against inflation to its "indus-

trial relations and worker par-

ticipation" structure, not to its

monetary management. But

surely even the best structure in the world would have availed little without the Bund-

esbank's skill and eternal vigi-

Mr Blackaby attributes West

Odds seem in favour of more urban roads inquiry, objectors who want to

From Mr David Lowe-Watson. Sir, Mr Peter Bottomley, for-merly Minister for Roads and Traffic, assures us that he con-sideres important urban road building only as a last resort (Letters, July 22). But how does he decide

whether all alternatives are inadequate and the "last resort" has to be adopted?
Mr John Wakeham (Letters,

June 6) pointed out that some alternatives were excluded for political reasons, while more rigorous criteria are used for rail than for road schemes.

tryside Commission said ear-lier this year that, at a public

mr A.C. Davey (Letters, July 22) showed that public land to be used for road achemes is treated as having nil value. The chairman of the Coun-

argue in favour of an alterna-tive "start off with an in - built disadvantage" because the inspector can only decide for or against the scheme before Can the Department of Transport honestly deny that the cards are stacked? David Lowe-Watson

Picking a way through monetarism

From Mr Kevin Gardiner. Sir, "City economists do not ask basic questions," says Frank Blackaby (July 26), before providing a mudded answer to his own pretty basic question, "what is the function of interest rates?"

He suggests that the UK Government's monetary policy depends for its success on month-to-month variation in "people's preference for imme-diate as against eventual con-

I should have said that it depends on precisely the oppo-site - but then I'm a City economist and I would not

Who is the more sensational and myopic - the analyst who suggests that the authorities are in fact fairly pragmatic these days and that the UK economy will probably muddle through for a bit longer, or the crisis-minded academic who persists in posing an old-fash-ioned and false dilemma between immediate recession and inflation?

Kevin Gardiner S.G. Warburg Securities, 1 Finsbury Avenue, EC2.

From Mr W. Grey.
Sir, Mr Frank Blackaby
decries the present-day domination of economic policy and
sepant's skill and e
lance?
W. Grey,
12 Arden Road, N3

conveyancers From Mr David Ashford

Freedom for

Sir, The absence of a licensed conveyancers' view-point in your report on the Lord Chancellor's white paper (July 20) denies your readers the chance to consider our feelings about the Government's proposals. Perhaps you will-permit me partly to fill the

for conveyancers to practise competitively with their for-mer solicitor masters, whose monopoly was broken by my successful High Court action in 1976, may I be allowed to contribute just two of several per-

gap.
As a pioneer of the freedom

tinent points?
First, I feel that with the advent of lending institutions becoming the new masters of most licensed conveyancers and solicitors alike, a funda-mental re-alignment of organi-sation is essential if the average small private firm is not to be pushed to the wall.

In response to the impending m response to the impending creation of a mega-monopoly of money-lenders luring most homebuyers into their "one stop shops," the early formation of a new Association of Independent Conveyancing Advisers (AICA) should be given exceptions consideration given serious consideration. Second, there will be many mortgagees unwilling to incur

the enormous expense of set-ting up conveyancing depart-ments. To them, AICA would propose the use of a single prepropose the use of a single pre-mium (say £25) title insurance policy scheme which would adequately compensate them on the rare occasion that a defective title is discovered when selling a defaulting bor-

ower's property.
This simple device would (a) obviate the need for their at all, and (b) release convey ancing advisers to act solely for their borrowers at about two-thirds of current costs. Combating the worse effects

of the "might is right" philosothe might is light control to the might be represented to the control task of all independent minded professionals. Believe me, they are much more concerned with the preservation of real freedoms of relevant consumer choice in an increasingly com-plex market place than many in the media may think. David Ashford,

Chairman, National Associa-44 London Road, Kingston upon Thames, Surrey

(This announcement appears as a matter of record only)

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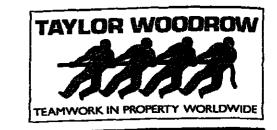


THE ROYAL BANK **OF CANADA**

July 1989

FINANCIAL TIMES

Friday July 28 1989



Practical man in the shadow of Khomeini

Kamran Fazel and Andrew Gowers look at the tasks facing president-elect Rafsanjani

N A televised address the other day, the man who will today be elected presi-

"I have a series of hopes for the future of the country which may or may not square with the potentials at hand," said Hojatoleslam Ali Akbar Hashemi Rafsanjani. "I will try to realise what is practicable." This is modest talk from a politician in the midst of a

campaign to consolidate his power. But it says a lot about the parliamentary speaker's state of mind as he prepares to shoulder direct responsibility for the morass of political, economic and social problems in post-Khomeini Iran.

Mr Rafsanjani can be in no doubt that today's election, in which the authorities have been calling for the highest possible turnout, will provide him with a strong endorsement as leader. One recent opinion poll in the Abrar newspaper predicted he would gain 88 per cent of the vote against the largely token candidacy of Mr Abbas Sheibani, a former minister who also stood in the 1981 presidential election.

The immediate task for the president-to-be is rather to dampen some of the more extravagant hopes being pinned on him. Partly because of his reputation for political shrewdness, partly because his presidency will be the first with full executive powers, with full executive powers, ordinary Iranians are expecting a great deal. Many believe he will move swiftly to patch up relations with the West and to tackle Iran's economic crisis. The scale of Iran's problems, both at home and abroad, means they could easily be dismeans they could easily be dis-

appointed. On the economy, Mr Rafsanjani has certainly been explicit about his intentions. His campaign speech last week focused the main task for the next



President-to-be Rafsanjani: setting the priorities for a post-war decar

decade. "In the 10 years after the revolution we were not able to attend to the everyday lives of people because of the war," he said.

Priorities for what he calls the "decade of reconstruction"

 Developing Iran's natural gas resources for domestic con-sumption, with the aim of freeing up to 700,000 barrels a day of oil for export;

• Boosting education, especially that of women, and

training technicians Reviving Iranian agriculture and harnessing water resources more efficiently;
 Rapid completion of planned petrochemical plants; Abolition of price and exchange rate distortions, which Mr Rafsanjani identified as a major source of corruption. He has hinted at a progressive downward adjustment of the massively-overvalued

In effect, the parliament speaker has already under-taken a wholesale "reinterpre-tation" of some of Ayatollah Khomeini's most cherished dogmas. In contrast to the late revolutionary leader's fabled asceticism, Mr Rafsanjani preaches that there is nothing

in Islam against good living or the enjoyment of luxuries. While reaffirming his com-mitment to a foreign policy of "neither East nor West", he adds that this "does not mean cutting ties with the East and the West, but rather maintaining healthy relations" with outside powers.

ourside powers.

The real message has not been lost on ordinary iranians. Asked about Mr Rafsanjani's recent rapprochement with the Soviet Union, Mr Hussain Samiei, a shopkeeper in mid-Tehran, remarked: "It was done in order to make the West more order to make the West more eager - you know like going after another woman to make the one you want jealous so that she'll come to you."

Mr Ali Kermani, owner of a tea house in southern Tehran, expressed a typical view when he said: "Rafsanjani will make up with the West and they'll rebuild our industry and it'll

from rampant corruption and from a desperate lack of com-petence. Many officials in key positions are long on revolutionary zeal but short on neces-sary expertise. Mr Rafsanjani will find it difficult to create the confidence needed for a resumption of economic activity and investment without rooting out a great number of middle-level and senior offi-

also be up against many people with a vested interest simply

in preserving the current sys-tem and the massively-expan-

ded number of government

jobs it provides.

The civil service suffers both

There have been no chies to date as to how he intends to set about his task. To be sure, recently-drafted amendments to the constitution - which are also to be put to the vote today - give Mr Rafsanjani theoretically awesome powers. But recent press reports suggest that several of the hard-liners opposed to an opening to the West will remain in the cabinet under him, presumably arguing vigorously against his

Ironically, the new presi-dent's main political headache may well turn out to be the may well turn out to be the Majlis (parliament) — up to now his principal power base. A majority of members of the present Majlis are fundamentalists. They may yet form a powerful opposition alliance, together with Mr Mohtashemi, Ahmad Khomeini (the late Ahmad Khomeini (the late Ayatollah's son, who is tipped to be the next Majlis speaker) and Hojatoleslam Ansari, a

close Khomeini associate. Despite the united front being projected by the authorities, Iranian observers reckon the president and parliament will soon be trying out their respective strengths – perhaps on the controversial question of social liberalisation, which is vital if the country is to attract book eviles to resist to attract back exiles to assist in

ICI balances on the cycle

ICI's half year figures left the stock market unmoved yester-day, for perfectly good reasons. Whatever the company may say about its changed nature in the 1980s, its immediate prospects are still chiefly determined by the cycle in industrial chemicals. The market has no clear idea of what the cycle is doing just now, and neither has ICL

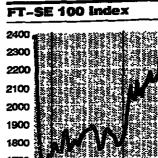
The paradox is that prices for most base chemicals are weakening, but underlying demand is not. The industry's customers have a clear memory of how good a deal they got on price in the early 1980s, and how much the tables have turned since. Sensing the longawaited downturn, they are now staging a buyers' strike, just as everyone goes off for the summer break. Come September, they may find they have misjudged their own cus-tomers' demand, and will restock accordingly. If not, the base chemical producers are in for a thin time.

But so far, there is no reason to doubt ICPs assertion that the slowdown is manageable. Net of exceptionals, group operating profits in the second quarter were unchanged from the first, and volume was still 3 per cent ahead. The group will also claim that it is much better placed for a downturn than in the past, and that is plainly true. But the upswing last year proved so extraordi-narily profitable as to prove a potential embarrassment. The shares are still at an histori-cally wide discount to the market, and it is hard to see that changing over the rest of the summer. The market is not just unsure of what kind of downturn is coming: it does not know what it is discount-

Royal/Fondiaria

It may not be high drama, but Royal insurance's purchase of Lloyd Italico from Fondiaria makes plain the thinking behind cross-border deals by Europe's large insurers. We are not seeing big takeovers, least of all mega-bids for UK composites: rather, a flow of smaller deals, of £100m to £200m, as companies fill gaps in their portio emphasis on the faster-growing

Mediterranean. Royal's move merits oneand a half cheers, not a rousing three. Any tourist in Turin or Taormina can identify the deep penetration of Italy by Swiss and German insurers. There is a clear danger that the UK composites are lagging in the race for a share of this underdeveloped market; Italico is a



step in the right direction, like Commercial Union's joint venture with Credito Italiano. Though Royal is paying £99m for net assets of £40m, the price is no worse than those paid by French and Swiss insurers for the less companies in the less Italian companies in the last year, and Italian revenue law

Oct 87

year: and Italian revenue law apparently permits Royal to offset the goodwill against tax. The quibbles are real, none the less. Fifty-five per cent of Italico's business is third-party motor, where Italy's officially approved rate increases are well below claims inflation. well below claims inflation. And Italico has no life business of its own, though life assurance is Italy's best area of opportunity. One feels, too, that this deal is not much for Royal to show in Europe after 18 months of talks with Fondiaria and last year's vain flirta-tion with Groupe Victoire.

Markets The happy way in which the

US markets responded to some fairly predictable GNP num-bers yesterday was good buil market stuff. Even after a 7 per cent rise so far this month, Wall Street still managed to wall Street still managed to advance further, while the bond market is at least two steps ahead of the Fed in terms of easing. It is all getting a bit over-optimistic, and even though yesterday's GNP figures were encouraging both in dimension and composition, they were not exactly news. The picture is now clear: economic growth is slowing, but Lhere is no a recession. Meanwhile, the rise in stocks has been modest, the consumer is being brought to heel, and business investment and exports are taking up the slack.

The Fed has presumably taken all that into account in its latest easing, so it will surely take more evidence to make it move more. However, the market is making much of the fact that it has eased twice on the basis of last month's FOMC meeting, and thinks that means the same will happen for several months to come. At least that is what one year money at 7.75 per cent is bravely saying.

Water mergers

The UK water industry is in such a state of financial and operational turnoil that the last thing the Government wants is to have to pass judgment on a major merger among three of the more enterprising statutory water compa-nies. After all, it is only just over six months since the authorities clamped down on the industry's merger mania by introducing a draconian amendment to the water bill allowing any future takeover of companies above a certain size to be referred to the Monopolies and Mergers Commission, on the grounds that a successful bid could reduce the number of independent compa-

The problem for the Government is that the merger of three medium-sized companies in the London area makes a lot of sense. The companies have been co-operating together for a long time and the bigger group should be better placed to secure future water supplies. The political downside is that the French water giants, whose predatory behaviour was one of the main reasons for the takeover curbs, are heavily involved; and the neighbouring Thames Water could well use its undoubted lobbying skills to hamper the creation of a much more substantial competitor on its door-step. Once again, the country's most antiquated stock market sector looks like providing the Government with a headache it could do without.

Squibb

It seems hard luck on Smith-Kline Beecham that it only had 24 hours after its formal merger to enjoy the title of the world's second biggest drug company. But it could perhaps regard the merger of Squibb and Bristol-Myers as a compliment. The consolidation of the drug industry is on with a vengeance, and others are latching on to SmithKline Beecham's realisation that merger is the way to avoid catastrophic earnings dilution. It seems a dangerous admission of weakness by both parties; but the defence is that if attacked, either company could doubtless find a white knight in an industry desperate for acquisi-

Jaruzelski expected to resign as Communist Party leader

By Christopher Bobinski in Warsaw

GENERAL Jaruzelski, Poland's newly sation at the Congress which row any decision on whether elected president, is expected would make the party attractory to press ahead with big food to offer his resignation as Communist Party leader at a two-day meeting of the Central Committee which starts today.

The meeting is the first real chance the committee will have had since last month's election catastrophe to apportion blame and members of the Politburo, such as Mr Stanislaw Closek, seen as responsible for the decisions which led up to the national ballot, will be hard pressed to defend their posts

Gen Jaruzelski is concerned to shed his party role and project a new non-sectarian image as President, taking his first step on Tuesday when he is to attend a Catholic church service at the unveiling of a monument to the 1944 Warsaw

Uprising.
The Central Committee meeting also has to decide on a candidate for Prime Minister and come up with a leader who will steer the party to its next Congress. The reformist wing

vesterday claimed another

casualty. Mr Christopher Stain-

forth resigned his post as a cor-

porate finance director at UBS

Phillips & Drew, the stockbrok-

ing firm which came in for

ish government report into the Blue Arrow affair.
Mr Stainforth's colleague,

28-year-old Mr Alexander

Fraser, who was an assistant corporate director the time of

the employment agency's abortive rights issue in 1987 - and

who, with Mr Stainforth and

severe criticism from the Brit-

By David Waller

Wojciech hopes to implement a moderni- which postponed until tomortive enough to stand a chance of winning elections.

There is, however, a tangle of candidates for the post of First Secretary and any deadlock could mean that General Jaruzelski will have to stay as First Secretary until the issue is sorted out. Alternatively, a collective party leadership could be appointed, as is the

case in Hungary.

Today's meeting will also be attended by the Communist Party group in parliament, many of whom stood in the elections and won against the wishes and without the support of the party apparatus. Clashes are expected between them and the Central Committee which is set on accusing the deputies of failing to stand up to Solidarity in parliament. The plenum comes in the wake of yesterday's government meeting chaired by Mr Mieczyslaw Rakowski, the out-

Blue Arrow claims new victim

don-based subsidiary of the

Union Bank of Switzerland. said it was not appropriate to comment on the detailed find-

ings of the Department of

Trade and Industry inspectors until The Securities Associa-tion had completed its own

Mr Stainforth's conduct is

described in the report as fall-ing well below the standards expected of a responsible direc-

tor of P&D and he is criticised

for placing a "seriously mis-leading" advertisement about the take-up of shares in the

In P&D's first public

inquiry into the affair.

to press ahead with big food price rises, which would introduced next week.

The delay was due to the need to wait for Solidarity to decide its position on the matter. The official trade unions, are in favour of higher prices but, like Solidarity, have called full wage compensation.

The Solidarity leadership is

to meet in Gdansk on Saturday and will in all probability sidestep the issue hoping that indexation automatically linking wages to prices due to come in soon will halt falls in living standards. At its meeting it will also be asked by Lech Walesa as well as repre sentative's of the movements parliamentary group to reverse last week's stance on the indexation legislation. Originally the Solidarity trade union leadership opted to es for all demand wage increases for all workers including those who had already won rises over the going premier and the candi-date for the top party post, past three months and were thus ahead of inflation.

week, Mr Mueller said that it

was unnecessary to change the

structure or the strategy of the firm in response to the inspec-tors' findings.

no more than suspend Mr Fraser – whose conduct in the

summer of 1987 prior to the rights issue is described as fall-ing below the standards expec-

ted of a responsible executive of P&D - Mr Mueller said that

Mr Fraser was only a "B player" in the affair. The other two P&D employ-

ees censured in the report left the firm some time ago. Mr

Martin Gibbs retired at the normal age while Mr Alastair Alcock has returned to the

Explaining the decision to do

LIKUD-LABOUR COALITION

Rabin backs first phase of peace plan

By Hugh Carnegy in Jerusalem

be like before."

None of this, of course, is as

simple as it sounds. For a start,

a rapprochement with the West will not be easy to engi-neer, not least because of the

continuing controversy over the Salman Rushdie affair.

sis – featuring rampant infla-

tion, rising unemployment, a shattered infrastructure and a

moribund industrial base – is so serious that it is impossible to conceive of a "quick fix". Tackling it will require

coherent economic policies, on which the Iranian leadership

has been notoriously incapable

of agreeing in the last 10 years. Third, and perhaps most important in the short term,

there remains a potential prob-

lem of opposition to Mr Raisan-jani within the ruling appara-tus. If he is to make pragmatic

policies stick, the new presi-dent will not only have to con-front hardliners battling to pre-

serve the ideological purity of

the revolution, such as Hojato-leslam Ali Akbar Mohtashemi,

the Interior Minister. He will

Second, Iran's economic cri-

MR YITZHAK Rabin, Israel's lands for per Defence Minister, says he believes the sent government could implement the first phase of its peace plan for the occupied territories - estab-Hshing interim Palestinian self-rule - without provoking a fatal split within the Likud-Labour coalition.

Less than three weeks ago the Labour party, to which Mr Rabin belongs, threatened to bring down the coalition because Mr Yitzhak Shamir, the Prime Minister, had accepted hardline conditions proposed by rightwingers in his Likud party to strangle the

initiative. Labour decided last Sunday to stay in government after ces from Mr Shamir that the peace proposals stood unaltered. Since then efforts to get the initiative off the ground have resumed with unexpected intensity, marked by the disclosure of a series of meetings between the Prime Minister and prominent pro-Palestine Liberation Organisation figures from the West

Bank and Gaza Strip.

Asked whether, despite the setbacks of the past month, the coalition could carry through its own initiative if the Palestinians agreed to get involved, Mr Rabin replied: "Yes, for the first phase." Speaking to the Financial Times, he said that both Labour and Likud were com-

mitted by the Camp David accords with Egypt to a tempo-tary period of Palestinian self-rule of the type proposed in Israel's latest initiative. Under the plan, this stage would be followed by negotia-tions on a final settlement at which all parties could make whatever demands they wanted. He said Labour and Likud would then have to split because Likud was committed to holding on to the West Bank and Gaza, while Labour was prepared to exchange

Mr Rabin said of Mr Shamir's commitment to the process: "I believe that the prime minister is bound, as is every member of the cabinet, by what is included in our peace initiative and I believe even more so that the fact that he started intensified meetings with Palestinians in the territories of all kinds after (the Likud conditions) shows that he means business." Mr Shamir has come under

hitter criticism from his opponents within Likud for meeting PLO supporters. But he denied the contacts amounted to indirect talks with the PLO. They were "exploratory dis-cussions" that would continue, he told Israel television. Like the Prime Minister, Mr

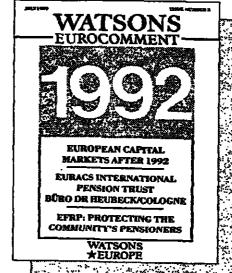
Rabin continued to rule out negotiations with the PLO. He said Israel would not accept a PLO suggestion that a Palestinian team to negotiate terms for elections leading to interim self-rule should include at least two members from outside the occupied ter-

But the Defence Minister said he assumed "certain mod-ifications," which he declined to specify, would be made to the peace plan if the Palestin-ians agreed to get involved. He was also equivocal on negotiating with local Palestinians with PLO links.

"The initiative is directed to the Palestinians in the territories. We don't put any limita-tions on their movements. I believe that they have to con-sult elements in the Arab countries, other people in the international community and there might be, here and there, others too. As long as they are

Mr Rabin has so far persuaded Labour, many of whose members fear the party is being asphyxiated by Likud in a futile bid for peace, that the sticking with.

MMENT ON



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R Watson & Sons is regulated by the Institute of Actuaries in the conduct of its investment but

two other P&D executives, was criticised in the report - has been suspended with immedite effect. Mr Rudolf Mueller, chairman response to the affair since the DTI report was published last WORLD WEATHER

rights iss

THE Blue Arrow affair and chief executive of the Lon-

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Thatcher launches counter-offensive

some, but not all, of these

Continued from Page 1

her reservations about closer monetary and economic ties with the European Community, the issue believed to have led to Mrs Thatcher's decision

to move Sir Geoffrey.

The Prime Minister's earlier remarks in cabinet were being taken to mean that she would like Mr Nigel Lawson, the Chancellor, to remain in his post as part of the team to fight the next election contest. The Prime Minister emphasised that she wanted a period of stability in which the gov-ernment could concentrate on

promoting its policies and on launching a counter-offensive against the opposition. A series of ministerial initiatives are planned throughout

At the Downing Street meet-ing, the Prime Minister outlined the Government's programme for the next parliamentary year and looked even further ahead to the run-up to the next general elec-

Responding to remarks by President François Mitterrand, who earlier this week warned

that progress on economic and monetary union could be made without France, Mrs Thatcher told MPs that Britain was ahead of France in respect of the free movement of capital, the abolition of exchange con-trols and the reduction of industrial subsidies.

which had been isolated. "Nothing will persuade me to surrender the sovereignty of this House to a European par-

She said that at the recent

FINANCIAL TIMES FRIDAY JULY 28 1989

SECTION III

FINANCIAL TIMES



TATOM MODE

Colombia contradicts the axiom that economic health is undermined by social

conflict and a climate

of insecurity. The economy is thriving and foreign companies are content with their profits despite the risks, writes Robert Graham, Latin America editor

Turmoil and achievement

IN A RECENT raid against a managed to thrive, with busi-drug trafficker's ranch, Colom-bian government troops found ish and foreign companies cona herd of cattle in the way. The cattle refused to move and were caught in the cross-fire. Despite the sustained din of battle, only one cow stam-

The story is an apt parable of Colombia today. It has become the most violent society in Latin America, sprouting a bewildering number of conflicts, the protagonists of which behave with the cynical callousness of Chicago gangsters. At the same time, the majority of Colombians are the majority of Colombians are caught in the cross-fire yet manage to pursue orderly lives devout in their religion, conservative in their tastes, loyal to family and firm believers in Colombia's long-standing tradition of democracy.

It is as if two totally different societies share the same state. A vibrant democracy exists alongside a total disrespect for the rule of law; competent civil servants administer an efficient bureaucracy yet large slices of the country evade all state controls.

Colombia overturns the received wisdom that social conflict and a climate of insecurity undermine economic activity. The economy has

ness confidence generaly bull-ish and foreign companies con-tent with their profits despite the risks. Colombia has the unique status of being the only Latin American country to have sustained growth throughout the debt crisis and

avoid the need to re-schedule its \$16.4bn debt.

Over the past two decades, annual growth rates have averaged almost five per cent. In less than 10 years the economy has diversified enough to escape its traditional depen-dence on coffee, although it remains the second largest coffee exporter after Brazil. Col-ombia is now the world's sec-ond biggest cut-flower exporter, the third largest coal exporter, as well as being the region's second gold producer and fourth oil exporter.

These achievements suggest the authority of the state extends only so far as different interest groups permit and that everyone finds a common denominator in the value of economic growth and increased prosperity. At least in the economic sphere, successive governments have been allowed to get on with the job and they have pursued cautious, well-managed policies. The present Liberal adminis-



tration of President Virgilio Barco, approaching its fourth and final year, has proved no exception to the rule.
Ironically, this combination

of competent administration and prosperity has probably helped anaesthetise the country against the degree to which law and order has broken down. The country's capacity to absorb violence has also been helped by its sheer size, its mountains and the distribution of its nearly 30m popula-

The Andes in Colombia splits into three rugged northsouth chains and, even today,

The population is well distributed between the main cities of Bogota, Cali and Medellin, in the centre, and the coastal towns of Cartagena and Baran-quilla. This has created strong regional identities with consid erable devolution of administrative power to the provinces. Colombia today is the battle-

eround of as many as seven different, but often inter-related, conflicts. The government is involved in varying degrees of combat with three leftist guerrilla groups; the government is also trying to stamp out para-military right wing death squads and is battling to curb the power of the drug barons. The right wing death squads, clandestinely backed by elements of the security forces and in alliance with the drug barons, are, meanwhile, waging a ruthless campaign of murder and intimidation against the left in the unions and in local authorities. The three remaining con-

flicts are, effectively, private wars over business rights. The main guerrilla group, FARC, has become a cocaine producer and is defending its interests against the traditional drug traffickers. Rivalry among traffickers has resulted in a bloody war of reprisal between the "Medellin Cartel", which controls 80 per cent of the drugs trade, and the smaller "Cali Cartel". Simultaneously, there is a vicious battle for control of the emerald trade, the original contraband business from which marijuana and ther cocaine evolved.

Since none of these combat-

ants, including the security forces, show much respect for human life, the casualties are horrendous. Furthermore, the existence of so many different existence of so many unterent conflicts makes it easy to hide the authorship of crimes, so encouraging greater abuse. In the first five months of this year, 1,232 people were killed in identifiable political assassi-nations, 40 per cent up on the same period in 1988, according to statistics compiled by the President's office. The Catholic research institute, CINEP using a broader definition of political killing, estimates 2,342 died in the first four months of

The rise in casualties partly reflects increased activity by the security forces after public concern over their lack of success on all fronts. The drugs business has been hit especially hard this year. Some 21 tonnes of cocaine have been seized in six months, three tonnes more than the whole of 1988. But the power of the drug barons to coerce society, cor-rupt justice and make money, has been little affected. Though the leaders have arrest warrants on their heads, they remain at large and "narco-dollars" are so pervasive as to be indistinguishable from clean

Ministers argue with good cause that the drugs business will only decline when demand is curbed in the US and Europe. One of the ugliest aspects of the drugs traffickers is their backing of para-military right wing death squads.

After mounting evidence that these groups have become responsible for the bulk of recent killings, the security forces have been finally persuaded to go on the offensive against them.

According to the President's office, right wing para-military groups have been responsible for between 70 per cent and 80 per cent of political assassingtions in the past 18 months. In good measure, this reflects their private war against memtheir private war against members of the leftist party, Patriotic Union (UP), who did well in the country's first direct municipal elections last year. The UP has grown out of the Communist-inspired guerrilla movement, FARC, as a result of peace initiatives set in motion five years ago. The party has firmly established itself as a third force in the democratic arena alongside the two traditional parties — the two traditional parties – the Conservatives and Liberals.

President Barco hopes the UP example can be followed by the 12,000 guerrillas still under arms. Last September he made a peace offer proposing amnesty and political integra-tion, provided the guerrillas laid down their arms. In Janu-ary the offer was taken up definitively by the small group, M-19, and partially by the FARC and the Popular Liberation Army (EPL). A unilateral cease-fire by these groups is holding and a commission of notables has begun soundings with the guerrillas to establish

'Narco-dollars' are indistinguishable from clean money

if there is common ground with the government.

The latter can do little more than wait for the guerrillas to respond to the offer of amnesty. The erosion of public support for the guerrilla groupings is near complete. The guerrillas themselves have lost their ideological commitment and have become more like bandits. The FARC devotes most of its energies to the drugs business.

The most militarily-active group is the 1,300-strong National Liberation Army (ELN), led by a former Spanish priest espousing an ill-defined version of popular power and radical nationalism. The ELN has taken advantage of poorlydefended economic targets to wreak havoc through sabotage. In the past 18 months, the ELN has caused \$380m-worth of damage to the oil industry, mainly as a result of frequent damage to the 780-kilometre pipeline carrying crude from the oilfields round Arauca to the coast. Although all oil conCONTENT

Border disputes; map

Violence and politics

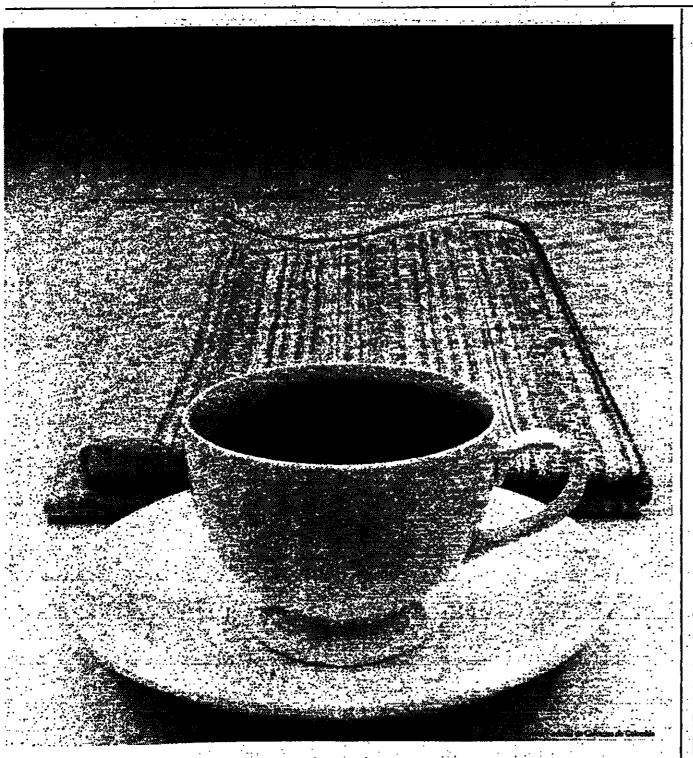
Drugs; oll; cost; cut flowers

tracts are still being honoured such sabotage is expected to cause a 20 per cent cut in exports this year. The group has also taken over up to 50 gold mines and damaged valuable banana export planta-

The increased cost of coping with this diffuse array of security problems has distorted government spending and is a prime cause for the 1989 budprime cause for the 1989 budget deficit which is projected at 2.3 per cent of GDP. Controls on public spending have had to be tightened and growth targets have been lowered from 4.6 to 4 per cent. This deceleration does not yet spell a recessionary trend — even accounting for the consequences of ing for the consequences of this month's collapse of the International Coffee Agreement. The sharp fall in coffee prices was not unexpected, and the Colombian coffee industry is well equipped, in the short term, to sell more in volume to compensate. Nevertheless, the longer term effects of an unsta-ble coffee market could be

unsettling. Uncertainties surrounding coffee could weaken the gov-ernment's resolve to introduce sweeping trade liberalisation measures and begin de-regula-tion of the financial system. Both the ruling Liberals and the opposition Conservatives recognise that Colombia's future economic development will benefit from a freer market and more emphasis on export-led growth. However, the country is entering a pre election year and party poli-ticking is going to dominate the Congress. Business, as a whole, is afraid of liberalisa-tion and is liable to do its best to twist Congress's arm in this

The last say on economic liberalisation – as, indeed, on any other issue – remains with the coterie of the country's former presidents. With the president constitutionally barred from consecutive terms of office, Colombia has evolved a political system which permits ex-presidents to wield enormous influence behind the scenes. Unfortunately, this power is exercised without real accountability and, in the case of President Barco, has undermined his authority.



Liquid Asset.



A colombian coal supplier.



WHERE ELSE in Latin America could one find offi-cials shaking their heads over being cut from 4.6 per cent to 4 per cent? Most would consider themselves fortunate these days even to contemplate such

Yet it is a measure of Colomda's remarkable economic stability and consistent growth throughout the debt crisis that small changes in projections should provoke anxious reac-

So far, the deceleration in the economy has been selective. Nothing suggests recession and even 3.5 per cent growth - a pessimistic esti-mate - is respectable when measured against an annual birthrate of 1.7 per cent. Nevertheless, the collapse of the International Coffee Agreement and serious sabotage of the oil industry by guerrillas, when combined with the charged political atmosphere of a pre-electoral year, will strain business confidence and severely test the Barco administration's ability to manage

The slowdown has been most evident in construction where the number of private building permits issued was 14 per cent down in the first quarter of 1989 against the same period the previous year. Commerce has also been affected with car sales down 14 per cent and domestic appliance sales down 9 per cent. Industry, meanwhile, has begun to accumulate stocks and unemployment is marginally up at 10.9 per cent of the active population.

The government is squeezing demand to rein in inflationary pressures produced by an unexpectedly sharp rise in public spending. The escalating level of violence caused the government last year to increase current spending 60 per cent - more than double the rate of inflation - and this year the increase is projected at 43 per cent against 24 per

Additional pressures on the state purse have come from the government's poverty eradication programme, and excessive cost overruns on such projects as the incomplete Medellin metro will need an extra \$230m through to 1992. Unseen costs have also emerged in the first year's operation of the transfer of much budget management from central government to regional and municipal authorities. The public sector deficit now stands at 2.3 per cent of

These negative factors are still more than balanced. Agri-cultural production and agrobusiness, which account for 21 per cent of GDP, are expanding on strong domestic demand and growing foreign sales. In less than five years banana and cut flower exports have increased from \$190m to over performing exceptionally well despite the large oil industry

Area Population ... President

Population per doctor

Merchandise Imports

The government's ability to continue to keep a grip on the economy will be put to the test in the coming year

Braced for the future by past sound management



President Virgilio Barco: having to cope with sabotage of the oil industry. Right: picking coffee. The full impact of the pact's collapse has yet to be felt

losses sustained from guerrilla sabotage. Last year guerrillas caused \$250m-worth of damage and they have done a further \$130m in the first half of 1989. For the year as a whole, the government is braced for a 20

per cent shortfall in oil earnings but, even so, the sale of petroleum and petroleum products will earn \$1bn. Coal \$430m; while gold sales will be in the region of \$400m.

These exports reinforce Colombia's external payment position, providing a projected 1989 trade surplus of \$850m. The current account deficit should be no more than \$800m, while net reserves of \$3.3bn should

A switch to export-led growth will require major liberalisation

cover almost nine months of imports. Service on \$16.4bn of public and private debt represents 7 per cent of GNP, but this should remain manageable without resort either to restructuring or the imposition of recessionary economic mea-

Colombia needs continued inflows of external funds to the tune of \$2.6bn for at least the next two years. The recentlyconcluded \$1.64bn "challenge loan with the commercial banks should tide Colombia over a difficult 1989/90 amortisation period and the Colombulk of foreseeable financial needs are accounted for.

.26 per 1,000 pop (1987); 45 per 1,000 (1965)

% of age group in secondary education 56% (1986); 17% (1965)

% of GNP 1987: Colombia +0.9; Brazil -0.4; Argentina -5.5; Mexico +2.9

In 1988, the Company's operational profit

represented 19%, and net profit 11% of

total sales revenues. Acerías Paz del Río

Shows not only a solid economic and financial

position, but succesfully competes with

domestic and foreign steel producers.

...... 69 (1987); avera

. \$5,310m (1988); \$5,661m (1987) . \$4,400m (1988); \$3,793m (1987)

\$-401m (1988); \$ + 336m (1987)

... 1,190 (1984); 2,500 (1965)

middle income countries 57 (1987)

.1,139,000 sq km



The future of the international coffee trade, after the sharp price drops in the wake of this month's collapse of the International Coffee Agreement, is an unsettling feature. At times of high prices like 1986, coffee sales were worth \$3bn - over 55 per cent of total

export earnings.
This year's sales were projected on the basis of 9m sacks being sold at around \$1.35 a pound, earning \$1.6bn. Colom bia must now sell at least 20 per cent more in volume to earn the same. With large well-managed buffer stocks,

this should be possible. Colombia's efficiently run coffee industry can absorb, in the short term at least, the shocks of the free market. The industry has a stabilisation fund with substantial fixed assets and \$350m in reserves at the central bank. However, unstable market conditions, with low prices over a prolonged period, will inevitably

have negative consequences. Coffee is responsible for gen erating 35 per cent of agricultural employment and covers one-fifth of cultivated land, quite apart from being responsible for 7 per cent of GDP. To volumes of coffee beans need to be grown and this will place

PAZ DEL RIOSA.

STEEL AND CEMENT

considerable demands credit for imports - even if the growers' incomes are main-

Happily, Colombia is no longer such a coffee dependent economy. Indeed, foreign and domestic investment over the past decade in hydrocarbons and minerals as a whole has transformed Colombia into a significant minerals exporter. Half of all the recent \$3bn foreign investment has been in mining, the most visible players being Exxon in coal and Royal Dutch Shell in hydrocar-

tained at current levels.

bons and feronicke). Minerals exports have increased fivefold in the past 10 years and will shortly overtake coffee sales in value. Currently coffee accounts for 32 per cent of exports and minerals 27 per cent. Projections made before the collapse of the coffee price showed coffee sales next year falling to 23 per cent (\$1.5bn) and sales of coal, nickel, oil and gold rising to 41 per cent (\$2.7bn) of total

The relatively recent development of these resources with the aid of foreign capital underlines the traditional inward-looking nature of the reflects the way in which Colombia was conditioned by the Andean Pact's mistrust of foreign capital and the embrace of import substitution as the

motor for growth.

Belatedly Colombia has recognised the need to switch the emphasis to export-led growth, conscious of Chile's example. Chile, with under half Colombia's 30m population, exports \$600 per capita.
Colombia, with a potentially
more diversified economy, and
geographically far better
placed, currently exports \$180

ter capita. A genuine switch to exportled growth will require a major liberalisation of Colombia's trading policy, accompanied by removal of the considerable protection accorded powerful monopoly interest groups in almost every sector of the

economy. The government has drawn up a policy document entitled Apertura (opening up). If the recommendations are adopted, the government would sell off state commercial, financial and industrial activities apart from the utilities; foreign capital would be allowed to have 100 per cent ownership in most sectors; price controls would largely disappear; industry would undergo major restructuring, the credit system would be rationalised; and industry

would be protected less by tariffs and more by quantitive

Sound economic manage sound economic management over a long period has made the environment for such decisions much easier. Ministries are staffed by able civil servants; pricing policy has been flexible and foreign processors attended to the parabolation. exchange rates have been managed with little official intervention. Nevertheless, the warning shots fired from entrenched interests in bank-

ing through to transportation suggest the government will move gradually.

As a start, foreign consulting firms have been drafted in to study the restructuring of five key industrial sectors agroindustry, automobiles, leather, textiles and clothing, leather, textiles and clothing, and steel. At present these industries suffer from low grade technology, inadequate machinery, high interest rates, low quality local inputs and expensive imports. They are also handicapped by their having grown to round the big ing grown up round the big population centres of Bogota, Call and Medellin which are all

in the middle of the country. Colombia's ragged geography makes for high transport costs, even if the ports were efficient (which they are not). The recent growth of port cities like Barrinquilla and Cartagena, stimulated by the new industries of coal, oil and

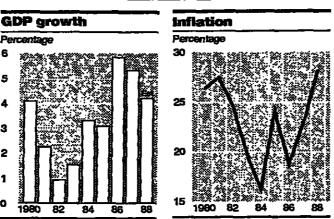
petrochemicals, is perhaps the beginning of a new trend. Economic liberalisation could help diminish the impor-tance of Colombia's informal and underground economy The informal economy is made up of those in unregistered small trading operations, sub-contracted manufacturing and street vending. The underground economy, though often interconnected, relates to the illegal drugs trade of cocaine, heroin and marijuana as well

as contraband. Colombia has a huge contraband business ranging from illegal gold sales to Brazil, emerald smuggling, illicit cross-border trade with Vene-zuela and the abuse of duty free goods brought in Colom-bia's Caribbean island of San Andres. Unofficial estimates have put the value of the informal and underground economies at between 15 and 25 per cent of GNP. The lower figure is more likely since the only real capital involved is the estimated \$800m to \$900m that filters into Colombia from drug

sales abroad. Such drugs money has found its way into "legitimate" investments mostly in construction, property, pharma-ceuticals, ranching and sport. The main impact, however, in economic terms, is probably on the exchange rate. Drug profits permit a large quantity of dol-lars to circulate, encouraging the peso to be overvalued. Few see the phenomenon of "narco-

Robert Graham

KEY FACTS



Main exports, % of total Main imports, % of total .coffee 33.7; fuel oil 19.2 (1988) Intermediate goods 50%; capital goods 34.6% (1988) US 37.8%; EC 28.5% (1988) Main export destinations Main sources of imports US 34.9%; EC 21.1% (1988)

Total external debt . \$16,7bn (1988) ... Colombia 45.3; Brazil 33.7; Argentina 65.5; Structure of long-term debt . private 53.9% (1980-82). Off sources 53.8%; priv 46.2% (1987)

Gross national saving, % of GNP16.0% (1980-87) External financing requirement (domestic investment .Colombia 3.9%; Argentina 4.9%; Brazil 2.7%; Mexico 1.3%

Av exchange rate 1988\$1 = 299.1 pesos; £1 = 532.9 pesos | into petroleum, coal and agri-

FOREIGN DEBT

Neighbours' bad name rubs off

COLOMBIA'S relationship with its lending banks have, for some years, had a significance beyond the country's borders. It is one of only two countries in Latin America not to have rescheduled its debt during the 1980s, although it was included in the list of 15 problem debtors outlined by the then US Treasury Secretary, Mr James Baker, in 1985. The other country not to have rescheduled is Paraguay, whose military regime was never a significant borrower,

anyway. Despite this, Colombia has often been greeted by bank creditors with almost all the suspicion usually aroused by the rescheduling countries around it.

As a debtor, Colombia has suffered from the perception of the whole continent as a poor credit risk. Its exercises in raising new loans, essentially only to refinance its scheduled repayments of principal, are always difficult if, ultimately, mostly successful.

Rescheduling of debt payments have not been necessary

Bankers have for long held out the benefits of "returning to the market" as an ultimate ambition for the region's troubled debtors. Yet, the problems in delivering Colombia its mod-est requests for finance have always threatened to contra-

dict their claims. Colombia's debt market tactics have not always been the most subtle but, partly because of its importance as a signal to others, "voluntary" deals have, in the end, been done. A \$1.06bn loan which the govern-ment began to raise in 1987 took months to put together and had to be topped up by the

leading banks. The latest loan, signed last month, was months in discussion before it emerged publicly at the beginning of the year, and fell about \$50m short of its \$1.7bn target. The loan was \$1.95bn of principal payments falling due in 1989-90. The loan carries a % point

rates - higher than the is point margin being paid by most rescheduling countries. Of the \$1.7bn, some \$175m is in the form of marketable floating rate notes, to which only the leading banks could subscribe, at a margin of 1½ points.

The agreement will allow a \$900m disbursement over the

margin over money market

next month, with the remainder likely to be drawn next year. This should keep its reserves by the end of this year at roughly the level they were a year earlier - \$3.85bn.
The projections used as the basis for the request from the

banks suggested a current account deficit of \$700m in 1989 and \$600m in 1990. There were doubts about whether this could be achieved.

Colombia has suffered from the fall in coffee prices, although the Arabica blend that constitutes most of its coffee exports is somewhat insulated from other price movements. It has shown some success in diversifying its economy away from coffee,

cultural exports. But, despite the rise in oil prices, its main oil pipeline has been the subject of attack by guerrilla groups which has reduced the reliability of oil as an export. In fact, petroleum exports dropped last year to \$985.7m

from \$1.35bn in 1987.

Mr Paul Luke, economist at Libra Bank, the London consortium bank which specialises in Latin America, says that the country's tight monetary policy appears to be succeeding in keeping inflation under control, but has led to an economic slowdown, with corporate investment down about 10 per cent in the first quarter of the year. He expects gross

domestic product growth of 2-8 per cent this year. According to central bank statistics, Colombia's foreign debt climbed to \$16.5bn last year - of which \$13.1bn were obligations of the public sector

from \$15.7bn the year
before. Of the \$12.9bn which is public sector medium and long-term debt, \$4.8bn was

owed to commercial banks. In terms of the important ratio of foreign debt to exports, Colombia's position in the Baker 15 is bettered only by

Colombia's ratio of 256 per cent, compares with 234 per cent for Chile, 306 per cent for Brazil and 555 per cent for Argentina. That ratio is small enough to put it in the camp of voluntary borrowers such as Hungary - 220 per cent - and India - 303 per cent.

As in the case of Chile, though for somewhat different reasons, supporters of the international debt strategy have been rejuctant to point to Colombia as a shining example of how a country can tackle a high foreign debt burden through sensible economic pol-

Chile has not been used as an exemplar largely because praising the economic suc-

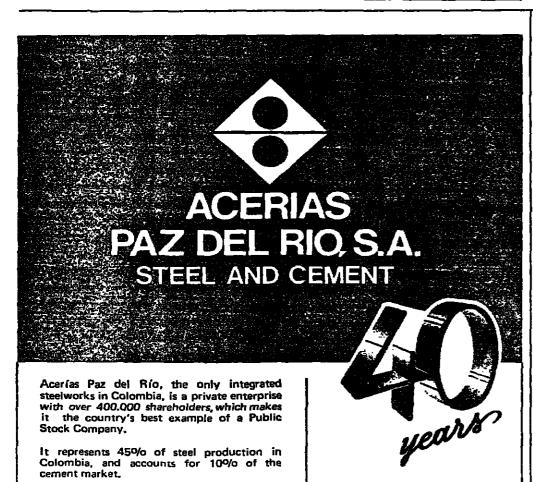
There is reluctance to point to Colombia as a shining example

cesses of General Augusto Pinochet's regime can be seen as suggesting that democratic governments in Latin America are failures as economic managers. With Colombia, the problem is the unquantified benefits in terms of foreign exchange that the economy draws from the illegal traffic in

In its World Economic Outlook, published in April, the International Monetary Fund pointed to Colombia as the only one of the Baker 15 not to have suffered a reduction in investment in relation to GDP over the period 1982-88.

In a good summary of the country's foreign debt position, it went on: "Even though Colombia is included in the group of 15 heavily indebted countries, its debt situation is significantly less pressing than that of the other members of the group. For example, Colombia has not required a resched-uling of its debt payments. In that sense, it could be considered one of the 'non-problem' debtors."

Stephen Fidler



State maintains unwilling dominance

TALL BUILDINGS of banks dot the Bogota skyline with some of the most impressive modern architecture in Latin America. Nevertheless, this facade of solid success is decep-

Colombian banking has been through a severe shake-up since the state was obliged to intervene on a massive scale in 1982-83. Although most of the banks are back in profit, the state still finds itself in the uncomfortable position of being the dominant force in banking, and the process of restructuring is incomplete since the broad aim is to re-privatise those banks forcibly taken over.

Support for the banking system in the form of soft loans, loss write-offs and fresh injections of capital is estimated to have cost \$550m to date. Only the Chilean and Mexican banking systems have experienced problems on a similar scale in the region, since the onset of the debt crisis. Colombia's banking prob-

lems were triggered by the economic downturn of 1982-83, which exposed both bad and fraudulent management. Since Colombian banks were often parts of groups or holding companies, the main difficulties arose from excessive exposure to companies within the group. It also emerged that a large number of Colombian banks had entrusted substantial loan portfolios to poorly-controlled

intervened directly in five private commercial banks - Colombia, Comercio, Estado, Tequendama, and Trabaja-dores. Of these, by far the biggest problem was Colombia, both because of the bank's weight within the banking sys-

The accumulated costs of loan write-offs and refloating Colombia have, to date. totalled 76bn pesos - roughly half the cost of the entire bank crisis to the state. In other instances, although there was no direct state intervention. the central bank was obliged to provide soft loans or permit special facilities for the issue of bonds, subsequently convertible into shares, to permit capi-

Last year was the first when the cumulative effect of this support began to be reflected in improved balance-sheets, especially among the private banks. Since then, the trend has continued. According to figures from the Colombian Banking Association, in the first four months of 1989 only four of the 24 banks in Colom bia were operating at a loss. This compared with seven banks operating at a loss in the

same period in 1988. This situation has been helped by a healthy demand for credit, despite high interest rates and good margins. The authorities decided to take advantage of this improvement

to impose tighter gearing ratios. Banks now can only lend 12.5 times their capital and reserves against 15 times previously. Nevertheless, several banks, including Colombia, are still under strict supervision and cannot yet issue dividends.

Quite apart from the cost, the banking crisis seriously distorted the nature of ownership. Previously, the state presence was limited to four banks operating in the commercial arena, and these were mainly sectoral - Cafetero (coffee) and Ganadero (agriculture). However, almost overnight the state came to possess eight banks, controlling 65 per cent banking system's capital. Of the remainder, foreign banks now own 10 per cent and private Colombian interests the remaining 25 per cent. The concentration of owner-

ship is even greater than this suggests. The Sarmiento group, together with the Santo Dom-ingo and Antioquia groups, are believed to account for three-quarters of private Colombian ownership of the banking sys-

Four of the five banks in which there was direct intervention are still being managed by a guarantee fund linked to the central bank. This was established along the lines of a similar institution in Spain, and Spanish advice was sought in its creation. The basic aim is to administer the bank through an official body

ficiently healthy to be sold back to the private sector. Nev-ertheless, Estado, the one bank to leave the fund, is in a curious limbo, since it has not found a buyer and is still state-controlled.

The Barco Government is wedded to the principle of pri-vatisation/re-privatisation of the banks. However, a number of sensitive issues have yet to be clarified. Who, for instance, will be allowed to own the banks' shares, when so much of the 17 private commercial banks' capital is already concentrated in so few Colombian hands or among foreign banks? Existing legislation prevents foreign banks from owning

more than 49 per cent. Despite the difficulties of operating in Colombia's violence-prone society, foreign banks are still interested in buying into Colombia – certainly smaller operations and the financial services' sector. The only recent withdrawal has been the Royal Bank of Canada.

The government recognises the need to change the law, and accepts the principle of foreign ownership up to 100 per cent. Congress is more reluc-tant to concede this principle, even though, in practice, the rules have already been breached. Two of the seven foreign banks have 100 per cent ownership - Bank of America and BCCL This is because the

pump in capital to ailing Colombian institutions in which they were already shareholders. Of the others, Real is owned 85 per cent by the Bra-zilian Banco Real. The rest are 49 per cent-owned, including Lloyds' stake in Anglo-Colombiano and Citibank's share in Internacional (Extebandes, the commercial bank of the Andean Pact countries with Spain's Banco Exterior, is in a special category.)

These anomalies of ownership have to be tidied up, but the time-scale is still unclear.

The attitude of Congress is likely to play an important part on the issue of privatisation. A major hurdle is the view among several deputies that privatisation can only go ahead providing the banks — or the purchasers — repaid the monies spent by the state on refloating them refloating them.

The government, meanwhile, is studying various measures to lessen the highly dirigiste role of the central bank. At role of the central bank. At present, a high proportion of commercial bank deposits have either to be placed with the central bank or are directed into forced savings, such as bond purchases. This increases the cost of credit while, at the same time, there is no adesame time, there is no adequate means of ensuring accountability in how the offi-cially-controlled credit is used.

Robert Graham

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COLOMBIA 3

Robert Graham on a long-standing border dispute with Venezuela

Pushed towards co-operation

BORDERS ARE a sensitive topic throughout Latin America, and few countries can claim to have the limits of their territory fully agreed with their neighbours. Colom-bia is no exception. A large maritime zone in the Gulf of Venezuela is still a subject of

The two countries came close to armed conflict in August 1987 over an incident in disputed waters of the Gulf. This incident, however, had a salutary effect and, since then, both sides have sought to establish a *modus vivendi* The two countries have also

been pushed towards mutual co-operation by growing secu-nity problems on both sides of the land border, as well as problems arising from their closely linked frontier econo-

It says much of the national-istic sensitivities of both sides that the Gulf of Venezuela dispute dates back more than 160 years, to when Colombia and Venezuela became independent. Originally the dispute was over whether Venezuela would be able to claim the entire Guif as an inland sea. In this respect, Venezuela's land border appears to go far enough up the Gualira Peninsula for a line to be drawn from this western point across the water to the Paraguana Peninsula, thus covering the bulk of the lower portion of the

But the argument about strategic control over entry and

jira Peninsula to Castilletes. Colombia was also recognised to one of access to potential resources, once Venezuela disas a riparian state on the shores of the Gulf. This eventu-ally permitted Colombia to covered oil in the Maracaibo area. The shallow Gulf of Vene zuela possesses similar geologi-cal characteristics to the Maraobtain 50 kilometres along the Gulf shore under the 1941 Colcalbo oil fields - suggesting large oil reserves could lie there as well Even though Colombian-Venezuelan Frontier

In 1987 Colombia initiated a series of probing missions by both fishing vessels and warships. Venezuela came close to calling an air strike

ombia once went as far as granting offshore concessions, no direct exploratory work has been carried out by either

country or third party.

Over the years, several opportunities to settle the dispute have been missed. As early as 1833, both sides drew up a treaty which recognised the Gulf as a Venezuelan inland sea. This treaty drew the Venezuelan land frontier the western shores of the Gulf from Cape Chichivacoa, but the document was never ratified by the country for whom it was most advantageous: Venezuela. The Venezuelans were to pay dearly for this slip, and the Venezuelan failure to pursue their claim properly has frequently con-trasted with Colombia's more

able diplomacy.
When in 1881 the Spanish crown was asked to arbitrate on the two countries' frontier, Colombia was awarded a large slice of territory down the Gua-

Unfortunately, the 1941 Treaty did not cover demarcation of the marine and subma rine areas in the Gulf, which have been the source of subsequent friction. Colombia forced

were awarded to several oil companies in the Gulf. Talks headed off a confrontation; but no real progress was made, other than for Venezuela to make it plain that it would accept nothing less than the lower half of the Gulf as purely Venezuelan. In effect, the Venezuelans were trying to claw back the initiative in what increasingly came to be seen as a 1941 treaty prejudicial to their interests. By 1980 a fresh series of

the pace on the issue, when in the early 1960s oil concessions

egotiations produced a working agreement. This time, how-ever, the Venezuelan military stepped in and rejected the ment because not enough of the Gulf was recognised as

the Bogota Airport shooting in which Jose Antequera, a left

wing Patriotic Union leader,

died and a Liberal senator in

line for the party's presidential candidacy was badly injured.

In April the government stopped self-defence groups from arming up, began training an elite police force, and retired an army colonel linked to the Magdalena paramilitary. The self-defence groups centred on Puerto Boyaca have

tred on Puerto Boyaca have

bragged about their strength and their success in driving

ing peace without the need for dialogue. The overlap between self-defence groups and drug traffick-ing is clear in some rural

areas, less so in others; gangs of gunmen operating in cities are mainly employed by the

and Israeli assault rifles and

Anti-tank missiles have also

cocaine cartels.

machine pistols.

Venezuela's inability to produce a formula that satisfied nationalist sentiment and Colombian frustration over lack of agreement led to increased ten-

In 1987 Colombia initiated a series of probing missions by both fishing vessels and war-ships. It was on one of these occasions in August that Vene zuela came close to calling in an air strike against a Colombian warship, amidst a nation-wide military alert.

Over the following nine nonths both sides nursed bruised egos, while their respective military establishments shopped around with big lists of new weaponry. Happily, this military build-up has not taken place, despite both Colombia and Venezuela upgrading some of their equipment. The need to co-operate has proved more imperative.

The discovery and development in the early 1980s of oil fields on the Colombian side of the tropical plains around Arauca spawned a serious security problem. These oil fields have become of vital strategic importance to Colom-

At the same time, however feeding off the presence of foreign oil companies, the National Liberation Army (ELN), a leftist guerrilla movement, has grown strong. Their kidnappings, sabotage of local inhabitants have proved highly disruptive. Furthermore, until the Venezuelan security forces began to react in 1988, the guerrillas took advantage of a safe haven across the border.

Another aspect to security along the border has been posed by the overspill of the Colombian drugs business. Police pressure on operations inside Colombia has resulted in the drug barons shifting both some of their manufacture and shipment operations into Vene-

Tackling these security problems was long complicated by a lack of effective dialogue, as well as the traditional close integration of the populations on either side of the frontier. In the 1980s and 1970s large numbers of Colombians were attracted to work in Venezuela's oil boom economy.

Although the Venezuelan recession of the past three years and Colombia's sustained prosperity during this time has reversed the flow, at least 600,000 Colombians are still living in Venezuela, mostly doing

In addition, a vast and fluid trade in contraband goods has thrived on the two governments pursuing wholly unmatched economic policies. The traditional Venezuelan policy of heavy subsidies for foodstuffs and petroleum products has ensured that these have found their way easily across the border; while, on the Colombian side, the Venezue-lans have been buying anything from industrial goods and domestic appliances to emeralds. On occasions, this contraband trade has totalled as much as \$100m a month

It is against this background that a new sense of pragma-tism has permeated both sides. The catalyst has been the presence since February of Mr Carlos Andres Percz in the Venezuelan presidency. On March 28, he met at the border with President Virgilio Barco.

A fluid trade in contraband goods has thrived on unmatched economic policies

This historic meeting led to the creation of a five-man international conciliation commission, headed by Mr Adolfo Suarez, the former Spanish Prime Minister, and including two former Latin American presidents. Three bilateral commissions were also established to study specific issues. Since March, there have been five meetings, and both sides have reported solid progress with a clear will to achieve positive results.

If this continues, the founda-tions for genuinely close political and economic integration between two historic rivals will almost certainly be laid Already co-operation at the security level has improved, and the two countries are pursuing economic policies that are far more closely aligned.



There are no new words of condemnation left — but the killings continue, writes Sarita Kendall Violence touches every corner of society the paramilitary was one sign that the group was becoming uncontrollable. Another was

"ONCE AGAIN, we must close ranks for the right to live, for democracy..," said President Barco at the funeral of the gov-ernor of Antioquia who had been killed by a car bomb. Enough of crimes, of blood, of violence " said the minister of the interior. People fumble for words when condemning violence in Colombia – every cliché has already been used, yet there is another ass tion, another massacre.

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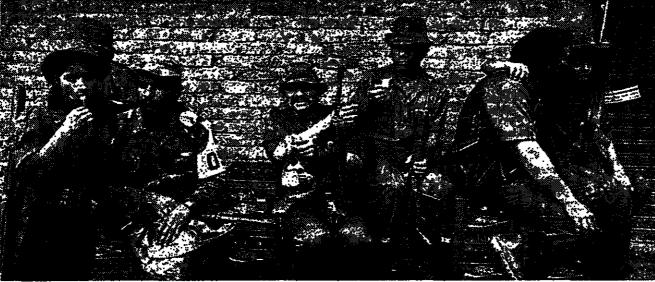
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) Frinance

There is also a whole vocabulary to describe different kinds of armed groups, an end-less supply of deathly anec-dotes, and plenty of black humour. A quarterly on black humour. A quarterly magazine put out with one of the main Bogota newspapers does a reg-ular statistical round-up, listing political murders, drug-related killings, military losses, tortures and disappearances. Occasionally somebody com-ments on the unhealthiness of getting used to ever-increasing violence, on the social anaes thesia induced by living with

"I was sitting on this bus for four hours, and this man beside me never stopped talking about the paramilitary groups. He gave names and details and places. I didn't want to listen, and kept saying how hot it was, and silly things like that." The social worker laughed at herself, adding, "The problem is, you don't who anyone is any

The confusion about who is who and, for example, why the Antioquia state governor was murdered, fuels a sense of impotence which the govern-ment has been unable to dispel. The sheer range of guer-rilla fronts, paramilitary gangs, drug trafficking organisations, self-defence groups and death squads is disconcerting enough, but discovering how they are intermeshed is bewil-dering.



M-19 guerrillas relax as talks with the government take place

The biggest guerrilla move-ment is the pro-Soviet Revolu-tionary Armed Forces of Colombia (FARC), with some 45 fronts. They grew out of a selfdefence organisation formed during the civil war in the 1950s, known simply as the Violence Based in the countryside and identified with the

The problem is, you don't know who anyone is any more'

santry, FARC controls significant areas of the Llanos and the Magdalena Valley, forcing land owners to pay protec-tion money. Although most fronts signed a peace agree-ment during Belisario Betancur's government, they were accused of using the truce to expand and arm up. In its early days, the Popular Liberation Army (EPL) was a

rigidly Maoist organisation. One splinter group specialised in killing policemen, and did not survive long. Strong in Antioquia and the north west, the EPL has more recently become involved in the labour conflicts of the banana grow-ing region of Uraba.

The National Liberation Army has moved from a Castroite rebel army with student appeal to oil sabotage. It specialises in dynamiting oil pipelines and gold dredges, and has threatened to extend its antinatural resource campaign to

M-19 - the 19 April Move-ment - has always had a tal-ent for the theatrical, and this, ent for the theathcal, and this, combined with the fact that it was more populist than Com-munist, earned surprising sym-pathy until the catastrophic takeover of the Palace of Justice in 1985, which left dead, over 100 people, including 11 supreme court judges. Whittled away to a fraction

of its former size, M19's leadership is discussing peace with the government and the main force is camped in neutral territory in Cauca. The Quintin Lame rebels – named after an Indian resistance hero - were fostered by M-19, and operate in the indigenous areas of

Altogether, official estimates put the number of guerrilla combatants at about 11,000. But there are also many part-time fighters and sympathisers. Significant areas of Colombia - especially in the Llanos, the north west and the north east, as well as smaller pockets in the Magdalena and other areas – are dominated by the guerrillas.

After the collapse of the Betancur administration's reactive the incoming

peace treaties, the incoming Liberal government moved very cautiously. President Barco stressed development dans for violence-ridden zones, and appointed a presidential

adviser on peace. All along the government has moved slowly and taken no risks, saying the guerrillas must show, with actions rather than words, that they are committed to a lasting

"It's impossible to talk of

Many arms-forcocaine exchanges have gone through

subversion," said Senator Alvaro Leyva of the Conserva-tive party. "The government hasn't defined its position. There has been no initiative." Mr Leyva took on the job of roving peace ambassador after negotiating the release by M-19 of the former Conservative presidential candidate, Alvaro

Since then he has been in Since then ne has been me contact with all the groups, and they have evidently found his approach — unfettered by restrictions government restrictions more flexible. But, with the experience of so many broken truces, many are sceptical of the guerrillas' real interest in

Mr Leyva gives more conin hey gives inter con-vincing reasons than the famil-iar guerrilla rhetoric: after decades of fighting they have not won a military victory, and still have a political cause; their outlook is changing, adapting to influences in and outside Colombia and, in most cases, is no longer so rigidly ideological; leaders who have spent so many years in the hills need a valid exit to justify their struggle.

The government watched Mr Leyva's peace overtures and waited for the go-ahead from an elder statesmen's commission before renewing the peace dialogue with the guerrilla co-ordinating group. While face to face talks with the ELN em most unlikely, the recent FARC ceasefire has been partly successful. A law to pardon rebels and pave the way for. return to democratic politics is being considered. Both the

with right wing groups.

After overlooking the proliferation of armed self-defence groups, the government was

All the actors in the violence have been increasing their fire power. Although one big arms shipment - apparently meant for the guerrilla co-ordinating - was stopped in Jamaica, many other arms-for-cocaine exchanges have, it seems, gone through. Weapons regularly used by the left and the right include up-to-date

development and democracy if the country is in the grip of Soviet, Czech, Austrian, US

> been seen in action. Recently, attacks on key figures - such as the director of the secret police - have been made with car bombs. Police and other reports confirmed that British and Israeli mercenaries have een training paramilitary In the first four months of

1989 there were more than 2,300 political, paramilitary and drug-related murders. Another 245 military and guer-rillas died in skirmishes. Seventy of the victims belonged to political parties, mainly the Patriotic Union and the Liberal Party. The spread of the violence has meant that virtually no section of society is unaf-fected: judges, bureaucrats, students, farmers, street kids, journalists and Indians are

unong the dead.

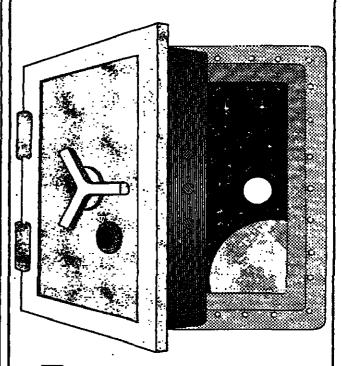
The political parties and the government have floundered in their search for solutions. "The traditional parties retain their dominance. But our institu-tions are falling apart: the erosion of democracy goes vary deep. The clash is so bad that we need a new constitution," said a leftist political leader.

The debate about constitu tional reform will continue during the current congression nal session. One crucial point is whether to introduce the plebiscite - it would allow greater participation, an important point for the left.

As the 1990 presidential elections approach, party splits and rivalries for candidacies are likely to distract the leadership from longer term problems. Despite the murder of so many of its members, the Patriotic Union has consolidated its place in the political arena. And there are strong president's peace adviser and young rebellious strands for Leyva currently reject talks within the Liberals and Con-

But the former presidents still rule the roost. In the end, they will probably be the ones forced to stem their power. The killing of a judicial team sent to investigate a massacre by defuse the violence.

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IV

THE COLOMBIAN police captured 21 tonnes of cocaine in the first half of 1989. The man behind this impressive statistic is Miguel Antonio Gomez Padilla, the two-star general who, as director of the police since January, has the anti-drug war on his shoulders.

"The idea is to attack all the activities of the drugs traffickers - to destroy airstrips so they can't be used for bringing in chemicals and transporting cocaine, to confiscate input, to destroy laboratories, to hunt down the people who do the processing," said Gen Gomez.

"We have to weaken the traffickers and discourage produc-tion. There is already evidence that we're displacing them to other countries."

In their most recent opera-tion, anti-drug units raided 12 cocaine-producing complexes ley. A few miles from the ranch-cum-zoo of Pablo Escobar, a leading figure in the Medellin cartel, police found a laboratory capable of making 200 to 300 kilos of cocaine a

Drums of chemicals were camouflaged under trees close to the farmhouse, which was ed as a dormitory and cookhouse for the drug factory hands. A short trail led to a patch of jungle in the gully hehind, where the cluster of main processing buildings was hidden. After a judge had inventoried the stock, the police fired tracer bullets into the chemicals, starting an enormous blaze.

Coca - the plant from which cocaine is extracted - has long been grown by Indians who chew a coca leaf mixture. In the early 1980s commercial plantations set up to supply big processing laboratories, suddenly blossomed. But, after police helicopter raids on these integrated complexes, the traf-fickers changed their strategy. Coca growing was left to colo-nists with small plots scattered through the Llanos and the

south eastern jungle. In any case, Colombian coca is not as rich in cocaine alkaloid as the Peruvian and Bolivian varieties, and most of the raw material is brought to Colombia after fairly simple processing which turns the leaves

Although some 15,000 hect-

THE SHERE physical size and high political profile of the El Cerrejon operation can easily dupe the observer into concluding that Colombia's coal industry is a one-mine operation.

And it is undeniable that

this joint venture between Exxon's Colombian offshoot Intercor and the Colombian state coal company Carbocol, dwarfs all other coal exporting activities not only in Colombia but throughout South America. It remains the world's most expensive steam coal exporting mine (costs of the operation are now put at \$2.8bp, down from earlier estimates of \$3.4bn) as well as its least prof-

It is also by far the biggest with an expected 11.5m tonnes of exports this year and design capacity shipments of 15m tonnes variously scheduled between 1992 and 1994. Project engineers put ceiling capacity as high as 25m tonnes. The numbers are numbingly large and only comparisons with other whole exporting indus-tries can make the size of the operation jump to life: from this single block in La Guajira, Colombia could export more steam coal than all the New South Wales mines shipped last year; if the El Cerrejon Centrale block is developed in conjunction with El Cerrejon Norte (the Carbocol/Intercor block) then exports of 35m tonnes – equivalent to South Africa's entire steam coal exports – are feasible from a

single coal deposit. No wonder Ei Cerrejon and the Colombian coal industry are thought to be one and the same. But the fact remains that two other companies, ProHow the police are dealing with cocaine

Busting the chain





icais dump. Above, a small-ecale

ares of coca are grown in the south east, Cauca and a few other areas, price drops have made it a less attractive crop. This gives substitution efforts, such as the United Nations backed Cauca project, a much better chance. Similar schemes, introducing new crops and providing infrastructure to raise local living stan-dards, are planned for the

Apart from a small percentage of its production, Colombia is in the curious position of importing both the raw materials and most of the chemicals needed to process cocaine. Ether and acetone, which are not manufactured in the country, come mainly from the United States, Germany and Brazil. Licences are needed for legal imports, but traffickers fly large shipments directly into clandestine airstrips located near the labs. In the first six months of this year, the police captured nearly a million gallons of ether and acetone - a record for any full

As the police attack their processing strongholds, traf-fickers are forced into better

deco and Carbones del Carribe,

are already supervising vigor-ous exporting activities out of Caribbean coast ports and the Dutch trader, SSM is supervis-

ing the movement of Colom-bian coal over the Venezuelan

boarder to be shipped from

In comparison with the El

Cerrejon whale these operations are minnows, but

before very long the Guajira mine may have to deal with at

least three other very big min-

ing projects which could push

the country to export levels of

40-50m tonnes before the end of

The first of these is the El

Cerrejon Norte neighbour, El Cerrejon Centrale, owned by

the Communidad de El Cerre-

jon, descendants of those who were bequeathed the land by

Philip II of Spain 400 years ago.

Standing in the hot scrub of the Guajira it is hard to feel

that Philip had particularly

fond feelings for the original

benefactors, assuming, that is, that Philip had no knowledge

of the enormous, but hidden

Centrale has been producing

significant tonnages for export

over the last five years on an on-again-off-again basis. The

only economic route to the

market is through the north

block's own port of Bolivar and the north block partners have

no desire to provide easy

money for what could prove a

the century.

coal deposit.

disguised hideouts, such as deep forested ravines or well-built unassuming cattle farms. Instead of concentrating resources in large scale production centres, they have smaller, dispersed laboratories. Generators, storage tanks, drying ovens and glassware are often moved around from one site to another to make sur-prise raids more difficult.

The US is still by far the most important cocaine market, but Europe and Asia offer greater profits. Every route and every smuggling method imaginable has been used by the traffickers: Central America, the Bahamas, Cuba, Venezuela, Brazil and dozens more countries are common staging posts. Cargo-loads of a tonne or more are frequent. As a kilo of cocaine moves from Colombia to Florida, its price goes from US\$1,000 to US\$8,000, while in London it reaches US\$40,000.

Most people estimate Colombia's income from drugs at about US\$600m to US\$1bn well down on what it was when cocaine prices were high, and output lower. While part of this is absorbed in running the business, cocaine money has

COAL INDUSTRY

Whale and the minnows

damaging competitor. The

mine's 900m tonnes deposit has

the potential of exporting any-

ally and the community says it

can do so by trucking to the

port of Zunige. If it does opt for this alternative it will be an

act of desperation, presenting

the operators with exceedingly

high operating costs.
An easy and cheap route to

port blocks easy development

of the two other Colombian mega-mines, Prodeco's Calen-

turitas and the La Loma proj-

ect being planned by Drum-

mond of the US. Both are in

the province of Cesar and both

contain high-quality steam

coal Current reckoning pre-

dicts that these mines could produce 3m tonnes and 10m

tonnes a year respectively

within 10 years. But at a recent conference in

Cartagena, backers of both these projects threw the solution of the key problem of how to get the coal from mine to

port back at the government. Mr Harold Waller, president of Drammond, detailed a variety

of possible routes for the coal

through the Caribbean ports of Cartagena, Barranquilla and

Santa Marta, or even linking

with the Cerrejon rail link to

Bolivar. They all appeared to have one thing in common;

they were expensive. Waller

pointed out that many mines could be developed on the

deposit to the benefit of the

thing up to 10m tonnes annu-reaping the benefit.

pal "destabilising" force in the country. Rivalry between the killed several innocents.

COLOMBIA 4

Left, police fire tracer butlets into a

also burrowed into banking, industry, cattle ranching, urban real estate, car importers, the media, football, hotels and entertainment. Marijuana. a less violent trade, is increas ing again as overproduction affects cocaine earnings; poppy plantations for supplying small heroin labs have also been found in the southern Andes.

Catching the cocaine chiefs far more difficult than destroying their labs. Eighteen people were taken to the US for trial on cocaine charges while the extradition treaty was in force. But its general unpopu-larity, combined with constant threats and legal manoeuvring, ensured that the country's supreme court and council of state decided against extradi-

Within Colombia, top traffickers have never stayed in jail for long. So many judges and lawyers have been murdered – for example in March, cocaine gunmen assassinated the journalist-lawyer handling the case against Pablo Escobar for the killing of the editor of El Espectador newspaper - that courage is considered foolish, rather than honourable.

country and therefore Colombia should play a part in providing a solution as well as

At least Prodeco knows

and Prodeco is the largest

which port it will be exporting through - its own facilities at

user of Colombia's state-owned

railway system, according to

Mr Rodrigo Loriente, chairman

- needs significant invest-ment. Indeed, Loriente argues

that extensive investment in

the country's antiquated rail-

way system would not only help get coal from northern

province's such as Cesar to the

sea, but will also unlock the

massive internal reserves of high-grade anthracite and cok-

It is hard to escape the feel-

ing that Carbocol will not be in

a rush to help Prodeco, Drum-mond and the Cerrejon Cen-

trale community solve their

problems. Its first concern is to get El Cerrejon Norte up to

15m tonnes. It is adding to its

problems of substantial debt burden by a build-up to full

capacity which is already three

years behind schedule. Full output should have been

reached this year but the earli-

est forecast date is now 1992

with some authoritative predic-

tions putting it as far away as

Despite this, the gloomy

days for the project seem to

The violence generated by the drugs business and the fact that domestic cocaine con-sumption has become a serious problem, are the main reasons for confronting it. Other moral or economic arguments, including the way cocaine money has permeated political and financial institutions, carry little weight in Colombia. The government refers to drug trafficking as the princi-

two main trafficking groups for control of distribution markets - known as the Medellin and Cali cartels - have left over 130 victims. Although most of the dead seem to belong to one or the other gang, the bombing campaign against a Cali-owned chain of chemists' shops has

In some areas traffickers have made alliances with guer-rillas; in others, guerrilla groups have forced out the drug cartels and taken over the business themselves. Drug financed paramilitary forces have beaten out guerrillas and peasants in zones where traf-fickers have bought large tracts of land.

US, Britain and France, together with a fatter budget, has given the police new helicopters, communications equipment and machine guns. As a result of a purge of the police during the last two years - carried out by Gen Gomez when he was inspector general – about 1,000 people were dismissed.

The police director is con-cerned to regain public confi-dence, to run an efficient force

With a sustained campaign.

Earnings drained by attacks on pipeline

covers areas where exploration

give Ecopetrol a bigger produc-tion share. Although compa-

nies were unenthusiastic about

the contract at first, 18 have

In 10 years crude reserves

have risen from 550m barrels

to 2,000m barrels. Apart from Occidental's big discovery at

Cano Limon, smaller fields

have been found in other parts of the Llanos and the Magda-

lena Valley. Colombia and Ecu-

ador are to drill two wells each

before the end of the year, to

define a frontier field. Most

companies want to be near existing infrastructure, according to Mr Restrepo, and it is proving more difficult to

attract them to the north west

and other new exploration

Lasmo's manager in Bogota,

Aivars Taurins, considers the

Llanos has been disappointing

- after the Cano Limon suc-

cess, companies had hoped for

larger structures. Although

exploration continues in the Lianos, with the hope that sev-

eral small fields could be

now been signed.

risks are known to be low, and

"FORTUNATELY, we continue to sign contracts with foreign companies as we had planned." said Mr Andres Restrepo, president of Ecopetrol. Unfortunately, the Colombian oil company itself has recently become a direct guerrilla target, con-founding the view that the transnationals were the

enemy. Guerrilla attacks on the pipe line from Cano Limon in the Lianos to the Caribbean termi-nal at Covenas have cost Ecopetrol and its foreign partners about \$500m since the beginning of last year. This includes repairs to oil installations, the amount of crude spilt, and the loss of foreign income. With each attack, estimates of Colombia's oil earnings for 1989 are brought down: the latest Foreign assistance from the figure, after the dynamiting of the Covenas terminal, is under

Despite the security problems, exploration continues apace. Last year foreign com-panies drilled 61 exploration wells, and Ecopetrol 24. Ecope trol signed 28 association con-tracts during 1988, and another 14 during the first half of 1989. Under the old association arrangements, output is split 50-50 with a 20 per cent royalty. A new type of association con-tract, known as "shared risk",

and to ensure that the police are seen to be "as clear as crystal". The new image of a clean, lean force has already earned greater collaboration from the public, and the leadership is much praised by foreign drugs

hitting at the main processing centres over and over again, and breaking the production chain, the anti-narcotics brigade is making an important dent in the cocaine business. If actions on other fronts including the judicial - could be as effective, Colombia might shake the grip of cocaine's ten-

Sarita Kendali

have been brushed aside. Carbocol's \$1.5bn debt built up in the El Cerrejon development is being whittled away by a process of its parent company, Ecopetrol, repaying commit-ments in exchange for a greater share of the company. Ecopetrol now owns 90 per cent of Carbocol. In addition, prices are rising swiftly and at \$37-38 FOB a tonne for shipments to Europe, are proably

For the first time El Cerreion is being spoken of in the same sentence as profits, rather than an emphasis on mere cashflow. The corner is not yet turned but both Carbocol and Intercor now have the lesser consola-tion of believing that such a corner exists.

THE COLOMBIAN cut flower

industry has been a model suc-

cess story. It is a case study of

how entrepreneurial skill has

exploited comparative advan-

tage. No other legitimate eco-nomic activity in Colombia has

received less official help yet proved so capable of fending for itself in the international

Within little more than a

decade, cut flowers bave

become the country's fourth

single largest export item, accounting for five per cent of the total. "This year we are aiming for exports of \$250m against \$204m in 1988," says Mr Jorge Enrique Uribe, head of

the Flower Producers Associa-

Although the Netherlands

still retain two-thirds of the world flower market, Colombia

has carved out a niche in sec-

ond place with just over 8 per cent. This share is nearly dou-

ble the two nearest rivals -

Israel and Italy. The industry

in Colombia now employs

full-time almost 70,000 people

directly and another 50,000 in ancillary industries such as

packaging and transportation. This employment has been an

important factor in boosting

incomes among poorer house-holds in the capital. The origins of the industry date back to 1964 when a stu-

dent at the University of Calif-

ornia was using a computer to select the ideal environment

for growing flowers," says Mr Uribe. These studies identified the fertile high plateau round Bogota, where the climate is one of near permanent spring,

yet with plenty of sunshine and temperatures that almost

The first to experiment with cut flowers for export was a group of three Americans. By 1970, nearly \$1m-worth of cut flowers was being exported, and several of the traditional landowners in the Bogota "savannah" began to see the potential. Now there are more than 400 growers 80 per cent of

than 400 growers, 80 per cent of whom are in the Bogota area which has been converted into

huge fields of tented plastic. Colombia's flower produc-

tion centres round carnations and roses and, to a lesser

extent, chrysanthemums. The growers' advantage lies in the

The first to experiment with

never fall below zero.

tion. Ascolflores.

Gerard McCloskey

50 per cent higher than they were just two years ago.

strung together, making more profitable use of production facilities – Lasmo is looking at availability of good quality acreage. Econetrol has retained so much, and other contracts cover the good areas," said Mr Taurins. Most foreign oil companies outside the Cano Limon area

are philosophical about the risk of working in Colombia. planning to explore in the Mag-dalena talked with army and police in the area, and decided it was "a risk of acceptable proportions. There is a prob-lem, but it's perceived as greater outside Colombia," according to the manager. In general, companies are more worried about their foreign personnel than about

"They are not talking about winding down. They evaluate the risk and pay," said a secu-rity consultant. A company

eign personnel than about equipment. The National Liber-ation Army (ELN) specialises in kidnaps, from foreign engi-neers to local mayors and journalists - the latter to spread their oil message. In a surprise decision, Shell, which has big Colombian interests, is to set up offices in Cartagena. The

> Exploration continues, however. Last year foreign companies drilled 61 exploration wells and Ecopetrol 24

Caribbean city has been rela-

tively guerrilla-free up to now, but "an oil multinational's presence could change that fast," said a security expert.

The RLN began its sabotage campaign in 1986, on the grounds that Colombia's of reserves were being "stolen". Although the ELN had dwindled into obscurity after an army offensive killed its main leaders some 15 years ago, ransom money from oil contracting companies gave it new life in the 1980s. Led by a Spanish priest, the group has dynamited, kidnapped and murdered in the name of oil nationalism. It is now thought to number at least 1,500.

The guerrilla group's demands have varied, but they include the resignation of the oil minister and the president of Ecopetrol, the nationalisation of the Cano Limon oil field, a nation-wide forum to discuss oil policy, and the end of association contracts with foreign companies.

The government has said no to negotiations "under the deafening noise of dynamite". However, the main oil union which the government claims is ELN-infiltrated __ and the auditor general support the call for an open oil debate. The recent change he energy minister has been interpreted as a sign that the debate may, after all, take place, assuming the ELN stops the bombing. The government and Ecope-

trol have been running massive campaigns to publicise the ways in which oil benefits Colombians, and the company has stepped up community assistance programmes in oil areas. It also pays substantial royalCano Limon region — but scandals, rather than useful public works, have been the result. Among the projects is a giant swimming pool with arti-

ficial waves.
In the last month, the ELN has stepped up activities. On June 16 the group struck at the Covenas terminal, and the ensuing fire did enormous damage. Although exports were expected to resume by mid July, full repairs will take nearly a year. Extraordinarily, the terminal was apparently almost unprotected. The commander of the nearby naval base has been fired, and complicity among personnel at the terminal is assumed. Ecopetrol had been paying the armed forces to protect pipeline facili-

Soon after, the guerrilla group sabotaged gas produc-tion in an Ecopetrol field near Barrancabermeja. And, the same week, one of Ecopetrol's vice presidents narrowly escaped a kidnap attempt at his Bogota home. The army commander promised to "finish off the ELN" and the government raised petrol prices by 10 per cent, saying this would help compensate for Ecope-trol's recent losses.

The state company has had to trim its programme. But a pipeline to carry crude from the central Llanos across the Andes to the Magdalena Valley will soon be in operation. A gathering system for several small Llanos fields may be built to feed in to the central pipeline. The Magdalena Valley also needs new lines to relieve bottlenecks, to bring in production from the upper part of the valley, and to provide a link to

Colombia exported petrol and other refined products worth \$1.36bn last year. With crude production averaging 374,000 barrels a day (it is much higher in sabotage-free months), a new refinery has been under discussion for some time. It is to be built up the Magdalena river from Ecopetrol's Barrancabermeja refinery, and will have a capacity of 75,000 barrels a day.

Although Colombia will be

more than self-sufficient in oil beyond the end of the century, exploration is needed to bolster reserves and ensure exports continue in the late 1990s government stresses that it will not change the rules. regardless of left wing political essures, and the co reputation for contractual stability is well established. Ecopetrol plans to offer new areas for "shared risk" exploration later in the year and, judging from the transnationals' present attitudes, there will be bid-

Sarita Kendali

CUT FLOWERS

Computer sows seeds of an idea

number of daily hours of sun and light which eliminates heating costs. There is also abundant cheap (female) labour close at hand. Colombia is well located for the US market which absorbs over 80 per cent of the country's total sales. Nevertheless, the growers have to fight hard to retain their competitive edge in Europe. Here they are up against Kenya and Israel from outside the Community – the former enjoying tariff waivers under the Lomé Convention, and the latter privileged treat-ment via special accords with

Colombia, on the other hand.

is faced with stiff tariffs which have only just been reduced after a prolonged tussle with Brussels. The high season sum-mer tariff (April-September) has been cut from 24 per cent to 20 per cent and the winter tariff from 17 per cent to 15 per cent. In addition to tackling these tariff barriers, Colombian with more competitive air ser-

flower growers have to absorb high freight costs. Mr Uribe estimates that 50 per cent of the CIF (cost, insurance, freight included) cost is accounted for by freight whereas Kenya and Israel vices, pay a maximum of 20 per cent of the CIF costs on freight.



Inspection of flowers at the airport before expert

In the US market, meanwhile, Colombia's success has alerted other regional producers and now Costa Rica, the Dominican Republic, Ecuador, Mexico and Peru are all beginning to realise their own poten-tial in this field. "We've got constantly to improve our quality and investigate as much as we can the possibili-ties of a broader range of flowers. including, eventually, exotic species like the orchid, says Mr Uribe.

The industry also has to be highly flexible to exploit currency changes and take advantage of growth/recession in particular industrialised countries' economies. The Colomhian growers are especially pleased about the way they have managed to establish a presence in the UK market which is now increasingly flower conscious. Last year UK sales were the equivalent of half the \$24m worth of flowers sold to the EC. Perhaps in recognition of this UK presence, the Colombians stand at this year's Chelsea Flower Show

won a gold medal.

"This is still a fast expanding business and, despite the competition, we don't envisage a levelling-off of demand," says Mr Uribe. It attracts both small scale investors as well as the larger traditional farmers. Land round Bogota is now being bought up for between \$8,000 to \$10,000 per hectare. But it then costs another \$150,000 to \$200,000 per hectare to put in the necessary infra-structure. The largest holdings are around 200 hectares, while the average is closer to 5 hect-

According to Mr Uribe, the Growers Association is careful to admit members and seeks to avoid the presence of any "nar-co-dollars" in the industry. In part this is self-interest: the US part this is self-interest: the US authorities have got tough over the past three years, having found drugs being imported into the US concealed in shipments of flowers. These discoveries have caused considerable ambarragement to the erable embarrasement to the industry which prides itself on being something of a gentlemen's club, comprising some of the country's oldest families

Robert Graham



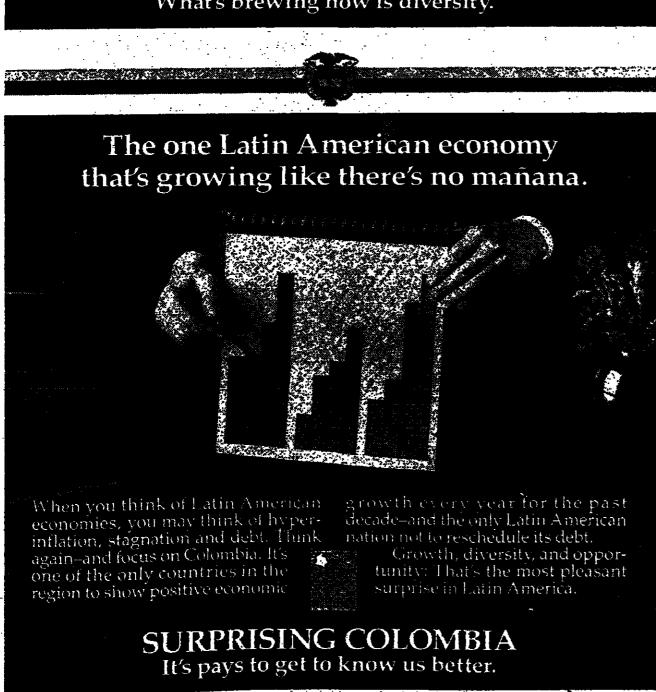
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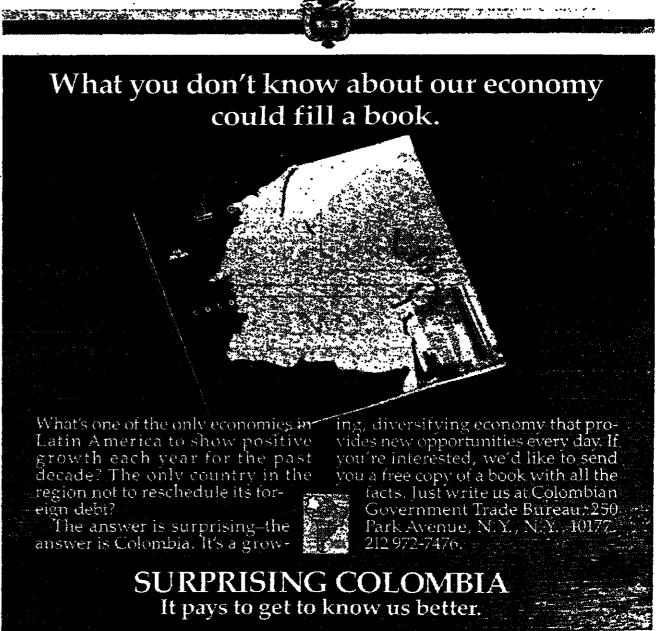


SURPRISING COLOMBIA









COFFEE

Pact's demise will cost dear

THE COLLAPSE of the international coffee agreement is a blow to Colombia. The pact had been ailing for some time and, in Bogota at least, the United States is blamed for tor-pedoing it. However, despite the disillusion, Colombia is better placed than most to survive the abrupt price drop, world over-production and market instability: efficient organisation, healthy finances

and quality add up to a power-ful arsenal in the coffee war. Coffee's contribution to earnings has fallen from about two-thirds to one-third of exports ~ around \$1.5bn in an average year. Although it is expected that the pact's demise could cost \$200m, coffee will probably continue to count for a quarter of foreign income, provided that export volumes

rise to 12m bags or more.
"We're all going to lose, the producers will take the worst of it," said Mr Jorge Cardenas, head of Federacafe, the coffee growers federation. "We're los-ing a very valuable instru-ment. The pact has been good for Colombia - in its protec-tive shade the coffee economy has flourished. Colombia has always worked to maintain the agreement. It's been a good tool for regulating prices and improving producers' incomes, and a debating forum for the coffee industry.

coffee trade has been about 15 per cent in recent years, sec-

Colombia's slice of the world

Coffee should still count for a quarter of foreign income

ond only to Brazil. West Germany and the US are its biggest customers, followed by other European countries and Japan. Private exporters and Federacase have shared the foreign market – at present private companies have just over

From the financial point of view, the fact that the 1988-89 harvest will be smaller than usual, about 11.4m bags, is no bad thing. In a normal year Colombia produces over 12m bags, with exports of 9.5m to 10m bags. Another 1.8m bags go to the domestic market, but these can be taken from stocks.

Federacafe is well aware that putting more coffee on the market is likely to push prices even lower. The premium paid for Colombia's high quality milds has already narrowed, and could disappear if, say, exports went up by another million bags. But there are some optimistic analysts who claim the free market is an opportunity to reduce stocks and sell more, capitalising on the country's reputation for

quality. Stocks will fall substantially in the next three months, until the new harvest begins to come in. Colombia still has about 9m bags warehoused -

at least 7.5m of export quality, according to Federacafe. From September newly modernised plantations will begin produc-ing and private exporters will

start buying.
The national coffee fund is stronger than it has ever been, and will cushion the effect of price falls. But anything under \$1 a pound will cause serious problems. For the future it will be difficult to maintain a 12m-13m bag production level if world prices remain very low. Although growers are unlikely to pull up coffee bushes, plantations are not as well looked after when domestic prices lag behind inflation. Farmers stop spraying against coffee rust and apply less fertiliser.

One important question is who will take the brunt of the price fall - the grower, the government or the coffee fund. In fact, all three will probably be affected and Federacafe has already said policy instru-ments will have to be juggled. These include export tax, the formula used to calculate dollar earnings brought into the central bank, and the payment in coffee and in pesos which exporters make to Federacafe and the coffee fund

The end of the pact implies changes in macroeconomic polsaid Mr Roberto Junguito, icy," said Mr Roberto Junguito, of the private coffee exporters' association. There could be an inflationary effect if Federacafe demands the return of money lent to the government. "It might also be necessary to increase the devaluation rate, to make coffee more competi-

The coffee federation has a crucial role in shaping policy. Although this is unlikely to change with the end of the quota system, many of the development programmes financed through the coffee fund may have to be pared down. The enormous foreign publicity campaign, including, for example, a Colombian cycling team, the education and health projects, the roadbuilding and rural electricity schemes will have to be reas-

About a million hectares are sown with coffee, and it provides employment for over 400,000 people. In the central Andes, between 3,000 and 6,000 feet high, it is by far the most important product, and any sudden change in coffee fortunes affects a large, and until

now, prosperous area. To reduce dependence on coffee, Federacafe began a far-reaching diversification success of the programme can be measured by the fact that nearly 200,000 hectares have been sown with cocoa, sugar cane, mulberries (for silk worms), tropical fruits and other crops. Ironically, the federation is also helping to fund a coca substitution project, encouraging coca farmers to switch to coffee.





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The authorities are becoming more sensitive to environmental issues, reports Sarita Kendali

Green consciousness starts to blossom

variety of birds than any other country: 20 per cent of the world's species. The blue-crowned motmot is ultramarine, turquoise, chestnut and grass green. The sapphire-scented puffleg humming bird has a long, seal-blue tail, hid-ing bright purple under feath-

Most of the birds live in native forests which are being cut down at the rate of 600,000 hectares a year. Suddenly, green consciousness is blossoming, and both the government and the press are taking up the cause to save the nation's rich flora and fauna.
For the first time in Colom

bia, the natural resources Insti-tute (Inderena) shut down a transnational plant. Many fish were poisoned when Dow Chemical spilled a compound containing organophospates into Cartagena Bay last month. Although the company said less than 30 litres had reached the Bay, Inderena insisted Dow's plant should remain closed until officials had examined procedures for handling insecticides and pesticides.

Cartagena has long been an ecological hot-spot. The country's most important tourist attraction for its beaches ancient resorts and colonial town centre, the city lies on a huge bay polluted with mer-cury and other toxic substances. Oil, petrochemicals and chemical industries line the inner shore, while stinking open canals tip raw sewage into the water. A coal port may

To get possession, the colonist had to clear two-thirds of his land

also be built near Cartagena; if so, dredging to allow river barges through will send muddy fresh water out to nearby coral islands, killing underwater reefs.
Inland from Cartagena lies a

region of undulating savanna and swampy lowlands, flooded for nearly eight months a year. The Zenu, who lived there before the Spanish Conquest, built an extraordinarily com-plex network of drainage



on shallow beds of rice husks mixed with coal slad Hydroponic culture on a Bogota roof-top: lettuces and celery are grown

canals, and farmed the ridged fields in between. Where there were once large self-sufficient sional family with a few livestock. The drainage channels have been abandoned, and every year the floods are more violent as deforestation affects the upper river valleys.

In a reminder of how free Colombian cultures managed the environment, the Central Bank has put on an exhibition of early farming, water usage and forest conservation. The message is that man and nature live in mutual respect, and that much can be learned from traditional methods in a country where erosion now affects more than 20 per cent of the surface.

Others, too, are critical of dependence on imported techniques. Las Gaviotas, in the Llanos, is an alternative technology centre which has not stuck at pilot schemes, but is spreading its ideas on an impressive scale: 1,200 mini-a-

quaducts supply water to small scattered communities; 20,000 sleeve pumps, capable of raising water up to 40 metres, have been installed: 25,000 houses – 8,000 of them in Bogota - are fitted with solar water heating, and thousands of cheap efficient lightweight windmills, the result of more than a decade of experiment, power water pump

Las Gaviotas has also intro-duced hydroponic vegetable growing to Bogota. In tiny backyards, on roof-tops and terraces, the growers can sup-plement monthly incomes by selling lettuces and celery which have not been treated with insecticides - they grow on shallow beds of rice husks mixed with coal slag. "If it's successful here, in one of the poorest barrios, with no piped water, imagine what we can do.." said an agronomist working with Las Gaviotas.

The man behind Las Gaviotas is Paolo Lugari, who inveighs against the expensive unsuitable technologies so often foisted on developing countries. He is especially proud of a solar cooking stove which, if developed on a massive scale, would help resolve one of the world's greatest environmental problems -gathering wood for fuel. The Caribbean pine is another promising venture. Grown in the worst soil of the Llanos with very little labour, the tropical pine - unlike temperate ones - allows flora and fauna to flourish in its shade.

According to the national planning department, an area bigger than Italy was defor-ested between 1960 and 1984. About three-quarters of the trees were cut down by colonists who do not even use the wood. To get legal possession, a 1961 law specified that the colonist had to clear two-thirds of his land. This has now changed: two-thirds of the land must be "exploited", but the definition includes the use of forest products and the mainteRecognising the weakness of national environmental agen-cies, the government has launched a forestry action plan to supply the forestry industry and preserve the country's natural heritage. The industry uses much wood from indige-nous forest as from eucalyptus and pine plantations. The plan aims to offer the private sector enough incen-

tive to referest 370,00 hectares in the next 10 years - more than double the existing plantation area. Other effects include forest management in colonisation areas, special protection zones and community involvement in conservation.

There are signs that city governments, too, are becoming more responsive and responsi ble on environmental problems. Three Bogota factories were shut down in one week for pollution. Costly proposals to clean up the River Bogota – often referred to as the most polluted river in the world are being considered. Recycling rubbish gives hundreds of people an income. But buses continue to belch out black clouds of exhaust, keeping con-tamination levels high. Open rubbish tips dot the city land-scape, while drainage channels dribble filth through hillside neighbourhoods.

So far, the press has concentrated on issues which are out of the average reader's control trafficking in wild animals, mercury poisoning of streams

Three Bogota factories were shut down in one week

from gold washing, deforestation oil contamination, industrial waste, mangrove destruction and pesticides.

Although all these need to be tackled, results will come when people take an active part in community efforts and national campaigns, in the way, for example, the Cauca villagers have done: they police their own watershed to stop anyone cutting wood for cooken to

era

POPULATION

Family planning is

ONE OF THE busiest places in Bogata is Profamilia's downtown family planning clinic. Women throng into the labyrinthine building, and rarely remerge with any complaints. Though less brisk, attendance at the male clinic alongside is picking up as Bogatanos begin to consider the possibility of

vasectomy.
Colombia's population
growth rate has dropped unusually fast, and is now under 2 per cent. Twenty years ago, women had an average of 6.7 children each; today they have about three. Not only does this mean the cake goes further - the economy has been growing at more than double the rate of the popula-tion – but it eases pressure on services and ensures better health for mothers and chil-

dren. Recent projections give Colombia a population of 33m in 1990 and 39.4m in the year 2000. The proportion under 15 years of age will drop from 38 per cent in 1985 to 32 per cent in 2000, as the country's age structure changes. And more people will live in cities: the urban population is expected to rise from 70 per cent to 77 per cent by the end of the cen-

Bogata, with 4.5m inhabit-ants, is not the top-heavy capital typical of most Latin American countries. It has only 15 per cent of Colombia's popula-tion, while Medellin, Cali, Barranquilla and Cartagena

per cent. The biggest citles are no longer growing as fast as the medium-sized ones, so the While the state also has a family planning brief, Profamilia, with 43 clinics and a demand for transport, sewerage and other services is better distributed. Living standards in the country - literacy, mor-

tality rates, wages - are also inching closer to urban levels. But though the massive rural-urban migration of the 1960s has eased, there are plenty of illegal squatters

Social changes

influence family size: in very few areas do people still want a football team of sons to work the land

invading city lands. In Jerusalem, for example, on the out-skirts of Bogata, families have access to the communal water taps for 20 minutes every other day. Four-wheel drive vehicles struggle up the steep, muddy streets, charging outrageous fares to passengers. And every-one's electricity is "pirated" by a tangle of dangerous-looking

A population policy - in the sense of reducing growth - is unnecessary, according to Jose Olinto Rueda of the National Planning Department. "Family planning has been assimilated. The population growth rate is no longer an obsession: we now support family planning for social aims - so people have the number of children they want, to help the situa-tion of women, and to improve family living standards."

Despite the Catholic hierarchy's disapproval, Colombian governments condone family planning, some with minimal, others with substantial, support. President Virgilio Barco, a founder member of the IPPS-affiliated Profamilia, encouraged a primary health care pro-gramme with strong family planning content for the Mag-dalena Valley. The three year programme, which has the National Coffee Fund backing, is run by Profamilia.

Along the flooded river lands and in the forested Andean foothills, young instructors make house-to-house visits. They are welcomed with enormous interest by women who have heard of contraception, but are far from established services. In less isolated areas. Profamilia runs family health workshops, teaching people

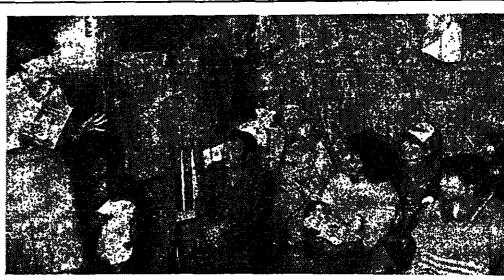
selves against dysentery, para-sites, malnutrition and other

far-reaching distribution programme, supplies about 60 per cent of Colombia's services. A 1986 survey showed that nearly 3m women (63 per cent of those in marital or common-law unions) used contraception. Pills and sterilisation were the most popular methods. But there is still an unsatisfied demand, especially in rural areas and on the north coast. "We've been going nearly 25 years but we're only half way," said Gabriel Ojeda of Profami

Social changes such as increasing urbanisation, mobility, life expectation and literacy all influence family size. In very few rural areas do people still want a football team of sons to work the land. Mass vaccination campaigns, improved health care, and malaria control have had a huge impact on infant mortal ity. "All this leads people to favour family planning. The key is in the availability and accessibility of the services," said Mr Rueda. "Culturally and economically it is accessible -Profamilia's charges are very

Financing contraception in urban areas is only a quarter of the cost of reaching rural communities - and services in the newer frontier lands such as the Llanos and the north west are even more expensive. Profamilia depends heavily on outside funding – and its rep-utation was boosted recently by winning the United Nations population prize. Partly because of its success in fighting the battle to make family ng the battle to make tamily planning acceptable. Profami-lia may now lose foreign finan-cing. This would have a disas-trous effect on services to the poorest and most distant com-munities.

Colombia has moved far from the time when family planning was seen as a way to lower the fertility rate. Although the technicalities are often discussed in radio health programmes, contraception is no longer a polemical issue. This has made it much easier for the Government and Profamilia to tackle AIDS education, and encourage condom use. It has also fostered high quality services, the envy of other Latin American coun-



nance of conservation areas.

covered with forests.

Most of Colombia's Amazon

and Pacific regions are still

should leave them alone. It's

the most important genetic

bank in the world - we can't

destroy species we haven't even discovered!" said Mr

Lugari. Dangerous rapids on eastward flowing rivers have

helped the flow of migrants

into the Colombian Amazon, but the cocaine boom has been

very damaging: jungle is

cleared to grow coca, and the chemicals used in processing

The Andean cordilleras pro-

vide disheartening evidence of

uncontrolled deforestation and over-intensive farming. Huge landslides and sudden floods

are often the result. Even the

water catchment areas of big

hydro-electric schemes have

been neglected. Supposedly so

rich in water resources, Colom-

bia has many reservoirs sur-rounded by tell-tale bands of

pollute rivers.

dry earth.

Family planning and women's rights - a talk by Profamilia



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INSIDE

Ford and GM feel pinch at home



The softening of demand in the US car and truck market began to take its toll on General Motors

and Ford, the world's leading automotive manufacturers. But, while Ford suffered a 15 per cent decline in worldwide profits, GM's results were down by only 4 per cent from last year. Both companies said earnings from their international operations were still increasing and in GM's case the improvements abroad were almost sufficient to offset the weaker US results. Page 22

Slide from greatness ...

In the second half of the nineteenth century Zanzibar became one of the Indian Ocean's richest trading centres on the strength of its richest trading centres on the strength of its clove industry. The lush island once produced more than 90 per cent of the world's loves and remained the world's largest producer until the 1970s, when increasing production in indonesia coincided with a steep decline in its own industry. Nicholas Woodsworth examines the reasons for a slide that has led to it growing only a teritle of the world crop. Page 30

Stormy Bombay

The stock market in Bombay, where gales and floods caused severe damage over the weekend, has been more unsettled by the political tremors resulting from the latest twist in the Bofors arms sale affair. Shares fell heavily this week, and merchant bankers are now review-Ing a programme of public offerings, writes R.C. Murthy. Page 42

Three Boars

Conferios neren



In Washington the 1985 US Farm Programme which has contributed to thousands of small farms going out of business — is seen by the Administration as having been more successful than not, it sent a message, says Mr Clayton
Yeutter (left), the US
agriculture secretary,
that the country would

"no longer underwrite production expansion around the globe" through high support prices. But has it? In the first of a series of articles, Nancy Dunne looks at what has been achieved by the programme that is serving as a starting point in the debate over the forthcoming new farm bill. Page 30

Spain faces up to

After nearly 100 years of virtually unchanged trading practices, today is the last day that Spain's Agentes de Cambio y Bolsa; the licensed notaries who have a trading monopoly, will walk on to the floors of the bolsas in Madrid, Barcelons, Valencia and Bilbac and trade as individuals. From Monday, they become limited companies. Peter Bruce looks at Spain's "Big Bang" — probably the most sweeping financial reform put into place since the death of General Franco in 1975. Page 24

Market Statistics

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Fulfa Concrete 1000
Talon 1250
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line with expectations of weakness in some of the world's market places. But these results provide a powerful platform to sustain and expand our The consumer and speciality between the consumer and speciality and the consumer and th

ICI profits up 18% in

IMPERIAL Chemical Industries, the UK's biggest chemicals company, yesterday announced pretax profits 18 per cent higher at £925m in the six months to the end of June, up from £783m in the comparable period.

The results were broadly in line with market expectations and the abares closed Ip higher on the London Stock Exchange at £12.54m.

There was a £41m increase in

the second quarter over the first, the second quarter over the first, largely representing gains on disposals such as Coopers Animal Health, and rationalisation in Canada. Exchange rates were more favourable during the second period and contributed about \$20m to profits over the half.

Sir Denys Henderson, chairman, said: "In the next six months we expect to see some reduced activity as higher interest rates hite and there are signs

Turnover increased by 18 per cent to 26.64bn from £5.87bn, 6 per cent of which was attributable to price rises and 4 per cent to higher volume.

Trading profits for the group came out at £914m, up from £777m. Earnings per share increased in line with pre-tax

profile to 82p (69.3p).
On ICI's central petrochemicals and plastics activities, Sir Denys said demand had lessened during the second quarter. He did no expect the strong market condi-tions of the first half to continue

- "but neither do we expect this sector to fall off a cliff." The industrial products division as a whole made trading profits of \$445m (\$351m). General

products division made £302m (£25m), powered by the pharmaceuticals business which increased its profit contribution from £146m to £184m.

But decorative paints experi-enced weak demand, in both the UK and US. Films continued to suffer strong competitive pres-sures and high raw materials

costs.

Agriculture made £158m (£106m). Sir Denys said the mild winter had favoured the agrochemicals and plant breeding side, which boosted its trading profits to £145m (£118m). Action taken last year enabled the fertilisers division to return to profits, but market conditions had remained difficult. See Lex



How Bob Bauman made merger history

Tony Jackson talks to the operational head of the newly-created drug company SmithKline Beecham

spoil the party. The analysis of this risk, he says, was highly complex. But much of it came

down to the fact that what made a friendly merger attractive to him made a hostile bid unattrac-

the employees. And finally, to win the day you've often got to say - look, you're a wonderful group, we'll let you operate as you are for a couple of years

while we learn how to work together."

Once the scheme was approved in principle, teams came together from both companies for a closer

look at the practicalities. Remarkably, this began last November, five months before rumours forced the merger plans

The plan went public in April, and by June a merger committee

was set up of seven board mem-bers - four Beecham, three

SmithKime. That's been meet-ing two or three days a week, every other week. We've formed

project teams underneath it.

which is where the work is done.

They're looking at key elements of integration — how you achieve sales growth, synergies, cost savings — each one has its own charter for what it's supposed to achieve. We have over 50 of these

"This does two things: it starts getting the projects under way, but also it starts bringing people together, and stops them think-

ing like SmithKline and Beecham

earnings growth out of the two

companies will be relatively easy

at first, as sales and costs enjoy the mechanical effects of the

7 here is a more fundamental question to be asked about the scheme. Getting

into the open.

A ing in an unprepossessing office block in Brentford, west London, one of the world's biggest drug companies holds its first ever board meeting. It came into existence less than 48 hours earlier, in the first big transatlantic merger in modern

business history.

SmithKine Beecham, is above all the creation of Bob Bannan, the ex-Beecham chairman who is operational head of the new comoperational head of the new com-pany. Bauman is sometimes seen as the classic American business school product: always affable, often bland, working behind a smokescreen of business plati-tudes. But when he talks about the making of SmithKine Bee-cham the manner changes. He is dealing with what he is best at:

the analytical working through of a formidably complex project. Until very recently, full business mergers — as opposed to takeovers — were a thing of the distant past. But Bauman, by his own account, started thinking about a merger for Beecham before he had even considered

who to merge with.

Brought into Beecham as chairman three years ago, he took 18 months to decide that the company was not big enough to go it alone. "We'd been doing a lot of studies to see where the industry was going, and where Beecham would fit into it. Out of that came the conclusion that we had to improve our ability to

compete long term in an industry that has to change.

"But we also had to perform against our financial objectives, which made certain things more difficult. You can do a small acquisition, but when you start looking at a major acquisition the cost becomes prohibitive in terms of earnings performance. So merger became a clear alter-

"Then we came down to who were the people who would make sense. The strategy was to fit our strengths and our weaknesses against companies which would balance against us. That put the focus on the US; we are relatively strong in Europe, and our needs are in the US and Japan. In most cases, US companies are the

An immediate problem was the lack of models to go on. The first major question is how you bring a US and UK company together — the technical points, tax and so on. The first time I together — the technical points, tax and so on. The first time I contacted lawyers on that they weren't sure it could be done.

t ten o'clock this morning, in an unprepossessing office block in Brenting office block in Brent market. The priorities are, one, keeping the company's momentum going, two, integrating the company, three, achieving the profile was very high." By this stage — a year ago — Bauman was already talking to Smithkline. But at the front of his mind was also the danger that a rival would come in and incremental sales and cost savings, and four, making sure the pipeline of new drugs is brought through as fast as possi-

"As for incremental sales, take an example. Beecham has 700-plus medical reps in the US. Smithkline has 1,200. Both have spare capacity at present. We've already started on our co-promowhen you have a hostile take-over, first a lot of good manage-ment are going to leave. Second, you have a lot of difficulties with tion agreement, and by September we'll be training Smithkline's reps to sell Augmentin.

"The other element is cost savings. I can't put a dimension

to that yet, but there will be some small savings this year. Then they'll really start coming in 1990, and will go on through to

e adds: "After all that, it depends on the pipeline coming through. We already have project teams working on understanding the two pipelines, to see where the priori-ties should be. You're now talking five years out, and that's a lot more speculative. If analysts say they can see some of the next three or four years, but it's harder to see five or 10 out - I agree with them, it is.

But we have over £300m in research and development, and the fit is good. We are generally in the same therapeutic areas, without too much duplication. And we have a good fit of prod-uct flow. We have a lot of prod-ucts in phase three of registra-tion, and we have a bottleneck. SmithKline has a lot of products coming through in phase one and

But does size help a drug company in its central objective, find-ing new medicines? "Not in itself. The key is to keep innovation, and you can argue that innova-tion can suffer if you get size. The pluses are that you have more money to undertake more research, which if it's done well will have more products coming through for development.

"One thing you have to do, I promise you, you've got to keep your focus. You cannot get distracted. We must make sure we're working on the things that are important, and get those done well."

Royal acquires Italian insurer

By Patrick Cockburn

ROYAL INSURANCE, the British ROYAL INSURANCE, the British composite insurer, is buying Lloyd Italico, a general Italian insurer, for £99m from Italy's Fondiaria Group. Fondiaria will retain a 10 per cent interest in the new subsidiary.

Royal said yesterday it had wanted to buy a non-life Italian insurance company for some time and believed that it was under-represented in Europe.

Lloyd Italico has approximately 1 per cent of the Italian

Lloyd Italico has approxi-mately 1 per cent of the Italian general insurance market and a network of agents throughout the country. Before acquiring the Italian company, Royal did almost no business in Italy. Commenting on the purchase, Mr Robin Rowland, Royal Granges margal manager said

Mr Robin Rowland, Royal Group's general manager, said yesterday: "One of Royal Insur-ance Holdings' objectives is to increase our general business in profitable, expanding areas where we are currently under-represented. Lloyd Italico will strengthen Royal's network in continental Europe in advance of 1992."

Mr Rowland also welcomed closer links and co-operation closer links and co-operation with Rondiaria Group, Italy's third largest non-life insurance company. The company had an annual premium income of £1,233bn in 1938 and also operates in West Garmany, Luxembourg, Belgium, the Netherlands, UK, France, Spain and Portngal.

Royal sees Italy as one of the fastest growing markets in Europe with spending per head on non-life insurance of £169 a year compared with £260 in the UK. The total market for general insurance is about £9bn and has

insurance is about £9bn and has grown an average of 14 per cent a year for the last five years. Other European insurance companies have also been attracted to the Italian market by similar considerations.

There were at least six ven-tures with foreign participation in the first half of the year, the most recent of which was Comrial Ilmbon's link with Cre dito Italiano to sell life and nonlife insurance through the bank's branches and direct sales

Nevertheless, some City analysts were sceptical yesterday about the immediate benefits of

the deal for Royal. Royal will pay about L220hn (£99m) for Lloyd Italico in four instalments over the next 18 months, including the cost of capitalising the company. When this is completed in 1990 the company is expected to have a gross premium income of about 194m.

BAT employs US 'detective agency'

HOYLAKE, the vehicle through which a consortium headed by businessman Sir James Goldsmith is making a £13bn bid for BAT Industries, last night hit out at BAT's decision to employ Kroll Associates, the corporate research firm, as part of its defence.

defence.

Politely described as engaged in corporate research, US-based Kroll has often been tagged with the "private investigator" label – although it publicly rejects the description's implications. Nevertheless, the firm has a reputation for digging up dirt in some bitter takeover battles. takeover battles. Hoylake said that it "deplored"

the use of BAT shareholders' funds in the retention of "detective agents at an undisclosed tive agents at an undisclosed fee." It went on to "question the employment of a detective agency in the circumstances of an offer conducted under the aus-

pices of the City regulatory authorities." However, the tobacco, retail, insurance and paper group responded quickly. It said that Kroll had been taken on by its US lawyers - Cravath, Swaine and Moore - and that its activities would be restricted to financial investigation. It pointed out that the US insurance regulatory fil-ings had suggested that several

companies with stakes in Hoy-

lake were based in countries where the disclosure require-ments are not the same as in the

UK." These include the Cayman

Islands and the Channel Islands.
BAT argues that it is in shareholders' interests to have the fullest possible information about
the bidder.
Hoylake declined to say how it
discovered that Kroll was being

employed, and would not com-ment on whether there had been any evidence of "dirty tricks" to date. It said only that its suspi-cions had been aroused because an agency such as Kroll was

involved."

However, Lord Rawlinson, a former Attorney-General and a director of the quoted Anglo Group – which has voting control of Hoylake – resigned yesterday as a member of the European Advisory Committee to Kroll. Last night, Lord Rawlinson said that he had been a member of the committee for several months, and that he had resigned on hearing of Kroll's involveon hearing of Kroll's involve-

In the UK, Kroll has featured most recently in the lengthy bat-tle by Consolidated Gold Fields to defend itself against Minorco. Meanwhile, Globe Investment

Trust, Britain's largest investment trust, confirmed an interest yesterday in the type of alternative restructuring plan for BAT being mooted by Baring Brothers, the UK merchant bank. Barings is understood to be suggesting a group reconstruction around a single holding company

Eurotunnel lenders await data on costs

By Norma Cohen

LENDERS TO Eurotunnel are waiting for data on cost over-runs from the Anglo-French Channel tunnel group which will determine whether it is in danger of default on some 25bn in credit

National Westminster Bank, one of its leading bankers, said yesterday that Eurotunnel might have already breached key covenants in agreements with its lenders which set limits on cost over-runs. But until more information is supplied banks have no way of knowing for sure. However, Eurotunnel said that

as far as it knew the consortium had not breached loan covenants, but added that the full extent of cost over-runs was still unclear. NatWest said the exact amount of the cost over-runs could not be ascertained until Eurotunnel submitted its next "cost to complete report", expected in early Angust, with a final determina-tion by lenders set for September. Such reports are required at least semi-annually under Eurotunnel's agreements with its lenders. In the event of a dispute about the data between Eurotunnel and its lenders, the banks' final determination prevails. The loan agreements give

Eurotunnel 90 days to satisfy its lenders that excessive cost overmms will not occur. If such an assurance is not given, cost overruns constitute an event of Eurotunnel said last week that

the cost of rolling stock would be about £600m, nearly twice the original estimate and that other costs were likely to be higher as

The company was said last week to be seeking £500m to £1bn in further bank loans to help it cover the cost of over-runs. Mr Alastair Morton, joint British chairman of Eurotunnel, has already ruled out an additional rights issue to raise cash.

This announcement appears as a matter of record:



£20,300,000 Management Buy-out of

M Mercado Ltd from Next plc

Equity and Mezzanine Finance provided by:-**Phildrew Ventures**

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Banesto in dispute

INTERNATIONAL COMPANIES AND FINANCE

Victoire to link up with W German insurer

By George Graham in Parls and Halg Simonian in Frankfurt

VICTOIRE, the French private sector insurance group, is to link up with Colonia, an insurance subsidiary of West Germany's Sal Oppenheim private

Victoire said the new group would be one of the six largest insurers in Europe with gross premium income of FFr50bn (\$7.9bn) and FFr150bn of assets

under management.

The agreement announced yesterday provides for Oppenbeim to transfer its shares in Colonia to a newly created holding company. Victoire will in turn transfer its insurance activities outside France to the holding company, in which it will be the dominant share-

noider.

Suez, the privatised investment and banking group, holds a 30 per cent stake in Victoire, but the company is controlled by the Compagnie Industrielle with 40 per cent of the equity and 48 per cent of the voting

Nestlé lifts

sales 35%

By John Wicks in Zurich

NESTLE, the Swiss-owned

international food concern,

recorded a rise in its consoli-dated sales of 35.4 per cent for the first half of 1989 to SFr23.6bn (\$14.4bn). The sharp increase is due in

part to the acquisition of the Rowntree group of the UK and

the Italian company Buitoni-Perugina. Excluding these and

other acquisitions consolidated

since mid-1988, and several divestments, turnover growth would still have been 19.4 per

cent.
This increase is attributed

by the Vevey-based parent company both to higher sales

volumes and to favourable exchange rates. It expects a

further rise in turnover in the second half.

For the year as a whole, Nes-tié expects a rise in group sales

of some 15 per cent, "provided

there is no fundamental

change in exchange rates." Last year, sales had already

record SFr40.68bn.

time - until September.

interim

rights. Compagnie Industrielle was until recently controlled by Mr Jack Frances, the former head of Suez, who made way earlier this year for Mr Jean-Marc Vernes, the financier. Victoire has been seeking for

some time an alliance with a major European insurer, and major European insurer, and
last year came to the brink of
merging with the UK's Royal
Insurance.

The deal fell apart last summer as Royal had seriously
underestimated Victoire's subtential asset been

stantial asset base. Valuations carried out by independent accountants suggested Victoire should suggested Victoire should receive 35 per cent of Royal in return for transferring its businesses to the UK company.

The French company made profits of FFr1.459bn last year, up 16 per cent on 1987, with consolidated income of FFr1.7 thm

FF717.1bn.
Its total assets amounted to FFr60.9bn, including under-

NORSK HYDRO, Norway's

largest publicly quoted com-pany, saw second-quarter net

profits more than halved to NKr451m (\$65.4m) from NKr924m in the first quarter,

reflecting weaker markets and sales in three of the company's

The downturn pushed half

year net income down to NKrl.7bn from NKrl.84bn last

Half-year group operating income rose to NKr4.21bn from

NKrs.58bn, helped by higher

world crude oil prices,

four main business sectors.

writing provisions of FFr48.8bn.

The seventh largest insurer in France, if both nationalised and mutual insurance groups are included, Victoire is also one of the most profitable, with a net margin of 8.6 per cent last year compared with an average of 6 to 7 per cent for the rest of the French insur-ance sector.

Analysis say that it is also probably the best capitalised of the French insurers. Its principal weakness - its relatively small size on the wider European market - will be in part remedied by the alliance with Colonia.

Colonia, founded in 1853, is probably Germany's sixth biggest insurance group, with premiums of around DM4.1bn (\$2.2bn) last year. However, its tradition of only consolidating about half its activities' figures makes exact assessment of its makes exact asse position complicated.

Second-quarter divisional

results out-performed last year's with the exception of

petrochemicals, but slipped from the first quarter. The agriculture division experi-

enced the greatest setback in the second quarter with operat-ing income plunging to NKr257m from NKr619m in the

opening three months
The division's European

sales in the second quarter

were proportionately smaller than in the first while overseas

sales were below last year's level. Uncertainty and lower

Second-quarter reverse at Norsk Hydro

The company, based in Cologne, specialises in prop-erty and casualty insurance, which makes up over 65 per cent of its premium income. However, it has a number of subsidiaries, the most impor-tant of which is Colonia Leben,

its life operation, which represents almost 30 per cent of total premium income.

Colonia also has a 58 per cent holding in the Nordstern insurance group, as well as 51 per cent in Kölnische Rückversicherung, (Cologne Re), one of Germany's biggest reinsurance companies. Among the specialised financial institutions it also controls are a health insurer, a building society and

a mortgage bank. The company's major shareholder is Sal Oppenheim, a long-established Cologne-based private bank, which is owned by the von Oppenheim family, reputedly one of Germany's

sonal fluctuations forced prod-

uct inventories to be written down by NKr75m.

The oil and gas division by far out-performed other sectors with second-quarter operating income rising to NKr634m from NKr603m in the first quarter. Half-year operating income was NKr1.24bn against NKr707m last year.

Light metals saw second-

quarter operating income nearly halved to NKr624m

from NKrl.063n in the first

quarter as metal prices declined while raw materials

The oil and gas division by

Some analysts have suggested that Colonia's growth has been constrained in recent years by the parent company's inability to inject sufficient new capital to finance expansion. Thus Colonia has appeared to lag behind in the recent decreestic race to offer a wider range of financial services bridging banking and insurance prod-

On the other hand, the group has proved attractive to share-holders, despite — or perhaps because of — its apparent undervaluation on the stock market. The controlling Oppenheim stake has made it resis-tant to bid speculation, while Colonia itself has shown little Colonia user has snown three interest in making way for Winterhur, the large Swiss insurance group, which bought a 37 per cent stake in Nordstern in July 1987 and is widely felt to be interested in gaining

improved, Hydro's markets

were weaker this quarter. Half-year operating income

rose to NKr1.69bn from NKr1.18bn last year, however, petrochemicals experienced a

decline to NKr211m in second-

quarter operating income from NKr314m in the first period.

Half-year operating income also declined to NKr525m from

NKr851m last year. Hydro explained the decline

as a result of flat PVC prices

and lost production due to a

Parretti pays bail on forex charges

MR GIANCARLO Parretti, the Italian financier and chairman of the Pathe communications group, was forced yesterday to pay bail of Pta5m to a Spanish court, to avoid possible impris-onment while an investigation into charges that he broke Spanish foreign exchange reg-niations is carried out.

According to the Bank of Spain's monetary investiga-tions brigade, Mr Parretti, tions brigade, Mr Parretti, who has important investments in Spain, recently made unauthorised payments of Pta50m (\$424,000) to a business colleague in Andorra, Mr Antonio Cornella, who is also under investigation.

The payments were carried out on his behalf by Mr Parret-ti's senior business partner in Spain, Mrs Barbara Darder, Spain, Mrs Barbara Darner, and both she and Mr Cornella have also been given preventative sentences, though they have been allowed to remain free without paying any bail.

All three, though, have been told to lodge Pta50m each with the court as surety should any civil proceedings exentually be civil proceedings eventually be

taken out against them. Mr Parretti is the chief shareholder in Renta Immobiliaria, a growing Spanish prop-erty group, which is quoted on the Madrid stock exchange. He took over the group, once part of the Rumasa financial group,

in 1987. An aide to Mr Parretti in Madrid yesterday said the charges against him were "craxy" and a "set-up," but that the bail had been posted in the morning, well within the 72-hour deadline set by the investigating magistrate on

Wednesday night. Under Spanish law, pay-ments made in non-convertible pesetas on Spanish soil by non-residents for transfer out of the country are illegal. Mr Parretti, the central bank's monetary investigations team alleged, gave five Pta10m cheques to Mr Cornella who then took them to Andorra, where they were deposited with the Banco Agricola y

Mr Parretti is close to senior Italian socialists which apparently helped pave the way for his early investments in Spain.

with affiliate over \$130m bond issue

By Peter Bruce in Madrid A POTENTIALLY damaging

row has emerged between Banco Espanol de Credito (Banesto), one of Spain's main commercial banks, and one of its large industrial affiliates, Carburos Metalicos, a Catalan chemicals group.

chemicals group. The dispute is over an issue in the Euromarkets earlier this month by Banesto of warrants worth some 18 per cent of Car-buros equity about which its management says it has still not been informed.

Angry complaints yesterday by Carburos' managing direc-tor, Mr Juan Grau Almirali, come at a delicate time for Banesto, which is trying to reform its vast industrial holdings and which has asked the Finance Ministry to forgive capital gains tax worth more than Pta25bn (\$212m) if its industrial assets are revalued and transferred to a new hold-

ing company.

Banesto closed a \$130m bond issue, with detachable warrants, in the Euromarkets on July 10. A novel element of the issue was that the warrants were convertible into equity in Carburos. Mr Grau said yester-day that he estimated the warrants issued were worth 18 per cent of his company.

Banesto owns just under 20 per cent of the chemicals group, making it the second largest shareholder after Air Products, but no-one at the bank's headquarters in Madrid could say yesterday whether issuing the warrants implied it planned eventually to extract itself from Carburos. Mr Gran said Carburos man-

agement was "very perplexed"

by what Banesto had done.
"We still don't have any
detailed information yet," he
said. "I do not understand
exactly what is going on."
Banesto's political problem
might be that issuing warrants
will reinforce already widespread suspicions in Government that the bank makes too
much use of its industrial
assets to finance its own
operations and its modernisation. The bank's proposals to tion. The bank's proposals to set up a new industrial holding set up a new industrial molarity company, grouping hundreds of important Spanish manufac-turing companies, would trans-form its balance sheet.

The July 10 bond issue was designed to meet Banesto's long term foreign currency requirements but its chairman, Mr Mario Conde, has said that once the holding company is established and quoted on the stock markets that he might withdraw from selected industrial sectors.

But Banesto has already run in to trouble this year for boosting its profit and loss account with asset disposals. In January, shareholders com-plained that nearly half the Pta39bn pre-tax profit for 1988 could be traced back to sales of assets to its subsidiaries.

Mr Conde has threatened not to go ahead with the formation of the industrial holding company if he does not get the tax breaks from the Finance Ministry. The Government, though, remains sceptical, largely because the asset transfer that would give rise to capital gains tax will be occurring within the Banesto group and not as the result of a merger.

quarter as metal prices maintenance and modification declined while raw materials prices increased. Though productivity maintenance and modification shutdown at an ethylene plant to increase production capacity. increased crude oil access and a higher US dollar value. prices for ammonia and urea combined with normal sea-Static half-year at Commerzbank

By Halg Simonian in Frankfurt

GROUP PARTIAL operating profits at Commerzbank, West Germany's third biggest bank, remained virtually unchanged at DM520m (\$278m)in the first six months of this year compared with DM519m in the same period of 1988. Partial operating profits at

gone up by 15.4 per cent to a parent company level rose by 3.8 per cent to DM340m, while First-half profits are not to be published — for the first full operating profits, which are not disclosed but include

gains from trading on the bank's own account, were below last year's figure on account of lower earnings in securities and foreign exchange trading.
Interest income at parent

bank level grew by 1 per cent to DM1.19bn, while fee earn-ings jumped by 18 per cent to DM528m against the corre-sponding period last year, thanks to have the business in thanks to buoyant business in

securities. For the first time, the bank released figures for interest and fee earnings at group level, which reached DM1.49bn and DM555m respec-

The bank's figures confirm the continuing buoyant trend in domestic lending, with a marked rise in its long-term credit business. Deposit growth has also shown some signs of

French bank has licence revoked

THE BANK of France said it had withdrawn the banking licence of Lebanese Arab Bank (LAB) and had alerted the public prosecutor to certain irregu-larities found in the bank's

accounts, Reuter reports.

In yesterday's statement, the central bank said LAB needed more than FFr240m (\$37.3m) to cover bad debts, but reserves the could be the county of the county stood at only FFr85m. An official receiver has been appointed.

New Issue

BBV ahead at mid-term

By Our Financial Staff

BANCO BILBAO Vizcaya (BBV), Spain's largest bank group, yesterday announced group consolidated net profit of Pta65.5bn (\$555m) for the first half of 1969 against Pta52.4bn a year earlier.

Return on assets was 1.85 per cent compared with 1.73 per cent. BBV said cash-flow after provisions rose 20 per cent to Pta97.5bn but gave no comparative figure. The bank last year announced a first-half cash-flow figure, before provisions, of Pta103.23bn. Consolidated shareholders' equity rose above Pta500bn in the first half. Market capitalis-

Pla937bn, the sixth largest for any bank outside Japan. The smaller Banco Popular lifted consolidated earnings for the first six months of 1989 to Pta18.37bn from Pta15.49bn

ation at the end of June was

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27th July, 1989



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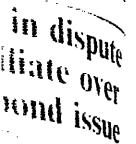
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RATION

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Cautious

vear on

By Roderick Oram

in New York

DEC ends

weak note

DIGITAL EQUIPMENT has

reported a 22 per cent fall in fiscal fourth-quarter earnings with weak US demand for its computer products offsetting

strong sales abroad. Mr Kenneth Olsen, Digital's

president, said: "With lacklus-

tre conditions in the US and the strengthened dollar

Soft demand hits US auto groups

By Anatole Kaletsky in New York

THE SOFTENING of demand in the US car and truck market began to take its toll in the second quarter on General Motors and Ford, the world's leading automotive manufac-

But whereas Ford suffered a 15 per cent decline in world-wide profits, GM's results were down by only 4 per cent from last year. Both companies said earnings from their international operations were still increasing and in GM's case the improvements abroad were almost sufficient to offset the weaker US results.

GM put its worldwide net earnings in the second quarter at \$1.45bn or \$2.23 a share, about 4 per cent below the \$1.51bn or \$2.26 reported a year ago. Total revenues were up 1.2

ago. Ithal revenues were up 12
per cent at \$33.6bn.
The earnings attributable to
the group's automotive
operations were \$1.35bn, compared with \$1.40bn last year.
Electronic Data Systems, the

company's information services subsidiary whose stock trades separately from the parent company, earned \$105m or 87 cents a share, 9 per cent up on the \$96m or 78 cents last

GM Hughes Electronics, the group's aerospace and defence contractor, earned \$240m or 60 cent a share, 33 per cent ahead of last year's \$180m or 45

GM's worldwide factory sales of 2.18m vehicles were 2.9 per cent below last year's level. Sales of vehicles built in the US and Canada were down by 6.5 per cent to 1.56m units. By contrast, sales of overseas vehicles rose by 7.2 per cent to 622,000. This figure includes the growing number of vehicles manufactured in the Far East by Korean and Japanese companies and imported into the US by GM.
Including these so-called "captive imports," retail sales in the US by GM dealers fell by 3.8 per cent to 1.53m units. GM said its share of the US car and truck market in the second quarter was 35.5 per cent, alightly below the 35.8 per cent in the first half of last

The group said its overseas sales set new records in the latest quarter and in the first half of 1989. Similar trends in global

vehicle markets were reflected in Ford's results, which showed worldwide net earn-ings of \$1.41bn or \$3 a share. This profit was 15 per cent below the \$1.65bn or \$3.43 reported a year ago.

Ford's year-ago result had been the highest ever achieved by the company in any quarter. Ford's revenues increased

by 4 per cent to \$25.9bn.
Ford's worldwide automotive operations earned \$1.2bn in the second quarter, down 15 per cent on last year. Financial services, the company's other reporting unit, provided net

profits of \$173m, 20 per cent below last year's contribution. The geographical breakdown of automotive profits revealed Ford's steadily increasing reliance on its operations outside the US. Domestic automotive profits fell by 27 per cent to \$459m, while profits from the overseas operations advanced

sales were 1.4 per cent up at 1.81m units, but sales of US-made vehicles fell by 2.7 per

Ford's worldwide factory

Ford said its share of the US car market in the first six months of this year increased by 0.8 percentage points from the same period a year ago to 22.7 per cent, while its truck market share was unchanged at 29.4 per cent.

In Europe, Ford's share was 11.8 per cent, 0.3 points up on last year. The company's share of the European truck market was 1.5 points higher at 12 per

\$3.49bn from \$3.34bn. "Our overseas markets saw double-digit growth in the quarter as a result of new hardware, software and ser-vice product offerings, coupled with a strengthened sales and marketing organisation," Mr Olsen said.

increase in revenues to

"Business conditions in the US are still somewhat slow, with fourth-quarter revenues similar to those of the same period a year earlier but up from the prior quarter." Digital is adjusting its capi-

tal and discretionary spending to reflect the conditions. The company had to cope with difficult domestic condi-

tions through most of the year, with results particularly weak in its first quarter. The full-year net was down 18 per cent at \$1.07bn or \$8.45 a share from \$1.31bn or \$9.90 on revenues which rose 11 per cent to \$12.74bn from

Analysts believe the softening US economy will continue to hamper Digital's performance in the early part of the new fiscal year. But it should start to benefit later from new medium-intermediate computer models introduced in

Users are also looking for-ward to other new models this year, including some at the high end of Digital's range. Profits have been suffering from greater strength for models at the low-end of the mar-

Delta and UAL earnings soar to record levels

By Karen Zagor in New York

UAL AND Delta Air Lines, two leading US airline companies, helped justify analysis' expectations of a strong quarter for the airline industry by reporting record earnings.
For the three months ended

June 30, UAL, parent of United Alrlines, the second largest domestic carrier, saw income advance 14 per cent to \$141.im or \$6.52 a share from \$124.2m or \$5.77 the previous year. Revenues were up 11 per cent at \$2.29bn from \$2.06bn.

depressing overseas results when translated into US cur-For the first half net profits were \$206.5m or \$9.55 against \$701.0m or \$19.12 a year earlier. when transment has to the rency, the company remains cautious entering the tradi-tional low-volume September Last year's results were dis-torted by a one-time gain of \$548.5m or \$14.98 resulting pri-marily from the sale of the company's interest in Westin Net profits for the quarter ended July 1 fell to \$313.2m or \$2.51 a share from \$401m or \$3.08 in spite of a 5 per cent

In the first six months revenues advanced 11 per cent to \$4.8bn from \$4.3bn.

Although United's passenger traffic fell 2 per cent in the quarter, yield increased 14 per cent to 12.6 cents. Operating revenues from passenger miles rose 12 per cent to \$2.20hn from \$1.97bn. Operating revenues for

beleaguered US diesel engine maker which arranged a thinly disguised greenmail payment only last week to rid itself of

Britain's Hanson as an unwel-

come shareholder, is under

ENGINE, the

CUMMINS

cargo were virtually unchanged at \$127.9m from \$126.4m. Delta Air Lines, the third

largest US domestic carrier, said net income in the fourth quarter ended June 30 soared by 85 per cent to \$190.8m or \$3.87 from \$103.3m or \$2.11 a year ago. Revenues advanced 24 per cent to \$2.17bn from \$1.87bn.

For the full year, net earnings were a record \$460.9m or \$9.37, up 50 per cent from \$306.8m or \$6.30 the previous year. Revenues rose 17 per cent at \$8.09bn from \$6.92bn. Mr Thomas Roeck, senior vice president, said: "Strong

traffic growth, along with modest increases in the average yield per passenger mile, in both the quarter and the fiscal year were the key elements in Delta's excellent performance." The Atlanta, Georgia com-

pany acknowledged benefiting from the strike at Eastern Air Lines in the latest quarter, which inflated Delta's passen-ger traffic. However, Delta said traffic also grew strongly in markets not directly affected

Brierley moves in on Cummins

by the strike. Operating expenses in the quarter increased 19 per cent to \$2.03bn, with operating capacity up 5 per cent. Passenger revenues rose 24 per cent to \$2.17bn as a result of an 18 per cent increase in revenue passenger miles and a 4 per cent rise in the average yield per passenger miles. Operating revenues from cargo was \$102.6m against \$87.7m. Operating income jumped 69 per cent to \$284.2m in the quarter. For the year, income from

10

operations increased 36 per cent to \$678.3m. Operating revenues rose 17 per cent to \$8.09bn. Passenger revenues grew 18 per cent to \$7.58bn grew 18 per cent to \$7.580n with passenger miles up 14 per cent and average revenue per passenger mile 3 per cent ahead. Fuel costs increased by \$5m thanks to a 5 per cent fall in fuel prices which helped offset a 6 per cent increase in

consumption.
In recognition of the company's record earnings, Delta declared a special dividend of 50 cents a share, psyable on October 1.

BCE edges ahead to C\$542m

By Robert Gibbens

BETTER results from its telecommunications utility and acquisition of Montreal Trustco brought a 4 per cent gain in first-half earnings at BCE, Canada's largest holding

Net profit was C\$542m (US\$459m) or C\$1.81 a share, up from C\$519m or C\$1.82 on fewer shares outstanding. Rev enues were ahead by 9 per cent

Second-quarter net was C\$301m or 99 cents, up 9 per cent from C\$277m or 96 cents a year earlier, on revenues of C\$4.3bn, an increase 13 per

BCE bought Montreal Trustco last April. It has already reported strong growth in revenues and earnings for the first

Bell Canada, the regulated utility, earned C\$427m in the half, up from C\$400m a year earlier. Northern Telecom contributed C\$74m, compared with

Imasco climbs to C\$144.4m

IMASCO, the Canadian financial services, retailing and tobacco products group 40 per by BAT It of the UK, has reported an 18 per cent gain in first-half earn-ings, Robert Gibbens writes

from Montreal. Net profit was C\$144.4m (US\$122m) or C\$1.12 a share, up from C\$121.9m or 96 cents a year earlier on revenues of C\$2.5bn, down 9 per cent. In the second quarter net

income advanced by 17 per cent to C\$90.3m or 70 cents a share, on sales of C\$1.4bm, a 4

Nearly all divisions, includ-ing tobacco, performed better in the first half.

Theme parks buoy Walt Disney

By Karen Zagor

WALT DISNEY, the US entertainment group which has been enjoying a revival in fortunes, yesterday reported its best third-quarter performance, thanks to strength in its theme

park business. The Burbank, California group said its net income for the third quarter ended June 30 rose 17 per cent to \$193.3m or \$1.40 per share against \$165m or \$1.20 a year earlier. Revenues improved 28 per cent to \$1.17bn from \$915.7m. For the nine months, net income advanced 27 per cent to

\$490.6m or \$3.56 from \$385.6m or \$2.81. Revenues were up 34 per cent to \$3.25bn.
The company said the record earnings for the nine-month

period were the result of strong contributions from all three of its main busine Disney attributed gains in the latest quarter to outstand-ing results from Disneyland and Disneyworld. Higher atten-dances and increased spending resulted in a 32 per cent rise in The Disney-MGM Studios theme park, which opened in

May, was also a strong contributor in the quarter.
The filmed entertainment division enjoyed strong profits.
Operating income rose 14 per

cent to \$54.5m on revenues up 37 per cent to \$354.5m. The company said the improvement was led by strong foreign results. The segment was also helped by growth in the home video and syndicated television markets.

in consumer products operating income advanced 18 per cent to \$39m on a 52 per cent

PWA again in loss during 'transition'

By David Owen in Toronto

PWA, the Calgary-based company which owns Canadian Airlines International (CAI) and which recently bought Wardair, has reported another quarterly loss in what it has described as "a year of

Net second-quarter losses totalled C\$17.7m (US\$15m) or 66 cents a share, compared with a small profit of C\$3.5m or 9 cents in the year-earlier period. The figures include net losses accrued by Wardair from the date of its acquisition

The loss brings the overall deficit for the six months to

June 30 to C\$35.2m or C\$1.50. compared with earnings of C\$11.5m or 43 cents in 1988. Canada's three largest publishing groups have reported strong first-half results, in

spite of pessimistic forecasts of declining advertising, writes Robert Gibbens in Montreal Maclean Hunter, with strong performances in its cable TV, commercial printing and broadcasting operations, saw net profit of C\$47.2m or 30 cents a share, up from \$44.3m or 29 cents a year earlier on revenues of \$686m, up 11 per cent, Revenues were up 10 per cent at \$353m.

The Toronto Sun subsidiary suffered a 20 per cent drop in second-quarter profits. The results reflect Maclean Hunt-er's share of losses in the Financial Post Daily.

Southam saw first-half earnings rise to \$46.2m or 78 cents, up 12 per cent from \$41.2m or 69 cents a year earlier on revenues of \$835m, an increase of 4

Torstar, which operates the ket, rather than the high end. Toronto Star, Canada's largest circulation daily newspaper, earned \$49.5m or \$1.24 a share, up 3 per cent from \$47.9m or \$1.19 a year earlier. Revenues were unchanged at \$463m.

New dry beers cheer Anheuser-Busch

By Roderick Oram in New York

ANHEUSER-BUSCH strengthened its grip on the US brewing industry in the second quarter with a further increase in market share and record sales and profits which

reflected, in part, demand for its new dry beers. Net earnings rose 10.5 per cent to \$233.7m or 82 cents a share from \$211.5m or 72 cents. Sales net of excise tax were \$2.48bn against \$2.32bn.

Beer volume expanded by 3.7 per cent to 21.4m barrels, equal to a 1.4 percentage point increase in market share to 42

First-half net was \$400.8m or \$1.40 against \$363.9m or \$1.23 a year earlier on net sales of \$4.69bn against \$4.4bn. Beer volume rose by 2.8 per cent to 41m harrels.

Mr August Busch, chairman, said the group was particularly

tance of Michelob Dry, which was sold nationwide last November. Three new products have been introduced into test

markets since then: Bud Dry, Busch Light and O'Doul's, a non-alcoholic malt drink. Analysts are expecting Bud Dry to be introduced nationwide later this year, underscor-ing the success of this new

high-margin sectorket.

Better chemical margins boost Shell Oil

By Our Financial Staff

SHELL OIL, a subsidiary of Royal Dutch/Shell, lifted profits substantially in the second quarter after an improvement in earnings in all segments. Profits climbed to \$440m, a \$166m increase on the same quarter last year, while first-

half earnings rose to \$801m, up \$138m over last year's Revenues advanced to \$5.9bn for the quarter and \$11bn for the first half, compared with

\$5.4bn and \$10.5bn for the respective 1988 periods. Improved chemical margins mproved chemical margins were the principal factor in the earnings improvement which, with higher crude oil prices, more than offset the effects of lower crude oil and natural gas production and lower refined product sales volumes.

The company said it was encouraged by the record first-half performance but sounded a note of caution on the sec-ond-half outlook, given trends in oil prices and dowstream

FLASH LIMITED SERIES D U.S.\$30,00,000 Secured Floating Rate Notes Due 1993 in accordance with the condition of the notes, notice is hereby given that for the six-month period 28th July 1989 to 29th January 1990 (185 days) the notes will carry an interest rate of 8.93% p.a. Relevant interest payments will be as follows:

Notes of U.S.\$100,000-00 U.S.\$4589-03 per compon THE SANWA BANK LIMITED Agent Bank

was bound to be a blow not only for the management but also for Mr Irwin Miller, the wealthy former chairman who put up \$5m of his own money to help the company arrange the buy-out from Hanson only last week.

pressure again.
Industrial Equity, the Hong
Kong-based holding company
controlled by Sir Ron Brierley,
the acquisitive New Zealand The 80-year old Mr Miller who, along with his wife and sister, bought the Hanson shares and then sold them financier, has acquired a stake back at a somewhat lower of 9.9 per cent.

The Brierley announcement, which came in the form of a price to the company, emphasised that he was accepting a personal loss in order to free the company and its hometown Columbus, Indiana from "the filing with the Securities and Exchange Commission, immediately unleashed renewed uncertainty of a possible take-

speculation about a takeover As part of the indirect greenor restructuring at Cummins. mail payment, Mr Miller signed a "standstill agreement" IEL said it had bought its stake as "an investment" but it reserved the right to change its with Hanson preventing the British conglomerate from buy-ing shares in Cummins for 10 intentions towards the company at any time.
Although Cummins and its years. He clearly did not suspect, however, that another international corporate raider advisers were unavailable for comment, the new uncertainty created by the Brierley stake was waiting to pounce the moment the Hanson threat dis-

appeared.

Many companies which have paid greenmail in the past have found that the initial pay-ments merely encouraged other raiders. But never before has a new threat materialised

so quickly.

IEL disclosed yesterday that it had bought almost half its \$1.01m shares in Cummins during the three days after Mr Miller announced his deal with

The company's apparent failure to foresee or prevent such an accumulation by a new raider at the time of its greatest vulnerability could also prove embarrassing to Morgan Stanley, the Wall Street investment bank which advised Cummins on the Hanson deal.

Cummins, which is the world's largest maker of diesel engines, has fought a success ful but extremely costly battle for worldwide market share against Japanese competitors.

This announcement appears as a matter of record only.



Mitsubishi Petrochemical Company Limited

NLG 200,000,000

23/4 per cent. Notes due 1994

Warrants

to subscribe for shares of common stock of Mitsubishi Petrochemical Company Limited

Issue Price 100 per cent.

Amsterdam-Rotterdam Bank N.V.

Algemene Bank Nederland N.V.

Nomura international

Bank Mees & Hope NV

Kleinwort Benson Limited

Tokai Bank Nederland N.V.

Generale Bank

PBI Securities B.V.

Rabobank Nederland

Daiwa Europe N.V.

Mitsubishi Bank (Europe) S.A.

The Bank of Tokyo (Holland) N.V.

The Nikko Securities Co., (Europe) Ltd. Yamaichi International (Nederland) N.V.

> Baring Brothers & Co., Limited Intereffekt Commissionairs B.V.

Mitsubishi Trust International Limited Pierson, Heldring & Pierson N.V. Société Générale Bank Nederland N.V.

UBS Phillips & Drew Securities Limited

Westdeutsche Landesbank Girozentrale

July, 1989



8% per cent. Guaranteed Bonds due 1993

SAPPORO BREWERIES LIMITED

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27th July, 1989

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INTERNATIONAL COMPANIES AND FINANCE

Elders investors approve Elliott plan

By Chris Sherwell in Sydney

SHAREHOLDERS IN Elders IXI, yesterday approved a plan which could strengthen chair-man Mr John Elliott's personal control over the Australian brewing, agribusiness and

They also heard that Mr Elliott's simultaneous on-market offer to buy Elders shares for A\$3.00 per share was less than a A\$3.36 to A\$3.79 valuation placed on the shares by First Boston Australia.

well-attended special share-holders' meeting in Melbourne. It was also revealed that the proposed float of Elders brew-ing interests was not likely before March or April next year, and could be in North America rather than Britain, which was previously envis-

The meeting saw vigorous questioning over the evident shift in control of Australia's largest company to Harlin Holdings, in which Mr Elliott is the largest shareholder and follow directors have substanfellow directors have substan-

Harlin is underwriting a pro-rata offer to Elders share-holders of 318m shares, or 17 per cent, being sold by Petitio, a joint venture between the AFP investment group and food giant Goodman Fielder

The plan, first announced in May, generated controversy because the price of A\$3.00 per share was higher than the market rate and favoured Petitio at the expense of other shareholders wanting to sell.

It also meant that Harlin, if it took all Petitio's shares,

stood to lift its Elders holding from 25.1 per cent to 42 per cent - and over 50 per cent if convertible notes and options were taken into account.

Harlin's on-market offer of

A\$3.00 per share, unveiled this month, aimed to circumvent these problems by giving shareholders the chance to acquire Elders shares at A\$3.00, sell at A\$3.00 or maintain their existing holding. Yesterday, Mr Elliott said that the five Elders directors not connected with Harlin would recommend against shareholders selling at A\$3.00. He also said that eight of the 10

himself, would also recom-mend against selling.
On this basis, Harlin appar-ently intends shareholders not to take its offer seriously.

interested directors, including

Equally, however, it is not clear how many of Petitio's Elders shares will end up in Harlin's hands. On the Stock Exchange yesterday, Elders shares closed at A\$2.96, down

two cents.
To support its offer, Harlin has arranged A\$6bn (U\$\$4.5bn) in financing Details show that Molson, the Canadian brewer, with Prudential Bache, Compagnie Financière de Suez and the Hongkong and Shanghai Bank, have offered A\$1.1bn in committed and stand-by equity to support the bid.

In addition, a senior debt facility of A\$3.6bn has been arranged by the Hongkong Bank with a consortium of par-ticipating banks, and a further A\$1.3bn sub-ordinated debt facility is being provided by

The amount of new equity to be drawn down will depend or the number of shares acquired under the on-market offer. But the Elders directors insist that they "will retain control of the voting and economic interest in Harlin."

Mr Elliott is also telling anxious Elders shareholders that the interests of Harlin and Elders cannot diverge because of the covenants which effectively stipulated this when the group was initially set

These covenants involve BHP, which was financially involved in the acquisition by Harlin of some 350m Elders shares in 1987, when BHP underwent a restructuring to remove Elders and Mr Robert Holmes à Court from its share

the first half of 1989.

This is 13.8 per cent up on last year's first half HK\$79.26bm. But the profits growth has fallen back from 15.2 per cent in the same period last year and 25.1 per cent for all 1988.

Undisclosed transfers to inter reserves are believed to inner reserves are belie ved to be bigger than normal because of concern about the risk of borrowers failing to honour property market continues to decline. This could become a serious problem if the current brain drain expands rapidly into large-scale emigration fol-lowing China's Tiananmen

Growth

slows at

Bank of

By John Elliott

East Asia

BANK OF East Asia, Hong

Kong's largest family-con-trolled bank which has close

links with China, yesterday reported consolidated profits

transfers to inner reserves of

HK\$90.22bn (US\$11.6bn) for

Square crisis.
Mr K.C. Chan, company secretary, said the results had also been affected by a slowing down in Hong Kong's econ-

An interim dividend was announced of 25 cents a share, compared with an adjusted interim of 20 cents last time.

Mitsubishi Bank issue

MITSUBISHI Bank, Japan's fourth-largest city bank, is to raise about Y163bn through the public placement of 50m new shares at more than face value of Y50 each in the domestic market, Reuter reports from Tokyo.

Terms, including issuing price, have still to be set. The benk's shares closed Y30 up at Y3,390 on the Tokyo Stock Exchange yesterday. Underwriters are Nomura

Securities, Yamaichi Securities, Yamaichi Securities, Nikko Securities, Ryoko Securities, Marusan Securities, Tokyo Securities, Toyo Securi-ties and New Japan Securities. The issue will increase Mitsubishi's outstanding capital shares to 2.73hn from 2.68hn.

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Particulars of the Stock are available from Eurel Financial Limited. Copies of the Listing Particulars may be obtained during normal business hours on any weekday, Saturdays encepted, until 1st August, 1989 from the Company Antouncements Office of The International Stock Exchange (for collection only) 46-30 Finibury Square, London EC2A 1DD, and up to and

28th July, 1984

-DSL: Bank

Cadbury S African arm **Equity deals enlarge Berjaya** buys local sweets maker

By Jim Jones in Johannesburg

CADBURY SCHWEPPES South R28.8m. Africa, a subsidiary of the Brit-ish confectionery group, lifted sales by more than a fifth in the first half of the year and has broadened its product base by acquiring a local confectionerv manufacturer.

The interim turnover was lifted to R158.8m (\$58.8m) in the six months to June 14 1989, from R130.7m in the corresponding year-ago period. The interim operating profit before tax and interest rose to R13.4m from R11.0m and the pre-tax profit was R12.4m against

For the last financial year, turnover was R326.5m, the operating profit was R32.0m and the pre-tax profit was

By Our Financial Staff

ASAHI GLASS, Japan's leading glass manufacturer, has

reported a 7 per cent rise in

pre-tax profits in the first half, which ended on June 30. They

increased to Y39.23bn (\$277m),

compared with Y36.53bn in the

first half last year.

Strong domestic demand from the vehicle and housing

industries helped to push up sales to Y437.04bn, 12 per cent

up from the Y389.29bn.

New Issue (European Tranche)

Demand at home lifts Asahi Glass

The directors are not opti-mistic about immediate trading conditions and warn that sales of confectionery and soft drinks are likely to slow with

the economic squeeze.
The company has acquired 82.5 per cent of Chapelat-Humphries, a chewing gum and sweets manufacturer, but the acquisition is not expected to appreciably affect this year's

earnings. First-half earnings rose to 28.8 cents a share from 23.9 cents in the first half of 1988, and the interim dividend has been lifted to 8 cents from 6.6 cents. Last year's full earnings were 69.7 cents and the total

Sales of insulating glass, reinforced glass and other

"functional" glasses were par-ticularly strong, while glass bulb sales were higher on

increased exports to Southeast

Asia to make televisions, the

Operating profit rose by a modest 2.9 per cent to Y32.0bn, compared to Y31.1bm, as costs of sales were pushed up by increased capital investment.

company said.

BERJAYA, a Malaysian textile

and property group, has emerged as one of the country's leading conglomerates in a series of equity deals involv-ing four companies, all listed on the stock market.

To help finance the deals, Berjaya has offered a one-for-one rights issue of its 210m shares at 1.30 ringgit a share. The cash call could eventually double the company's market worth to more than 800m ring-git (US\$299m) and catapult it to become one of the top 40 corporations in the Malaysian and Singapore markets.

Berjaya's prized catch is

TV3, Malaysia's only private - and very profitable - televi-

sion station, in which so far it has bought an 18 per cent stake for 41m ringgit in cash. Most of the stocks came from Uniphone, a telecommunications company.
In the meantime, inter-Pa-

cific Industrial (formerly Raieigh), Berjaya's 82.3 per cent parent, has sold its entire 32.8 per cent holding in Sports Toto, a lottery company priva-tised by the Government a few years ago, to Berjaya for 133m ringgit, also in cash. This deal raises Berjaya's own holding in Sports Toto to 93.3 per cent.

Inter-Pacific has also begun selling its Berjaya stocks Three blocks of shares, total-

ling 69m shares priced at between 1.95 ringgit and 2.18 ringgit each, were placed out to one Hong Kong and two Singapore brokers, one of the latter on behalf of management funds in the US and Britain.

Inter-Pacific's 82.2 per cent ownership in Berjaya has been pared down to 57 per cent so far, its sale of stocks has raised about 280m ringgit, which will be used to settle part of its 479m ringgit debt and pay for Berjaya's cash call.
With contributions from

Sports Toto, Berjaya expects the year ending April 1990 to raise 78m ringgit in pre-tax profit, Berjaya told its share-holders in a statement.

Hooker Corp shares suspended

TRADING in the shares of Hooker Corporation, the debt-burdened Australian property and retail group, was suspended yesterday, Reuter

reports from Sydney.
An Australian Stock Exchange official said that the suspension, which is for an indefinite period, followed the company's decision to ask the Supreme Court of New South Wales to appoint a provisional

Hooker shares closed on Wednesday, the day before the

suspension, at 26 cents, a fall on the day of 12 cents. The year's high stands at A\$2.15. The provisional liquidation was made necessary when a task force of its bank lenders terminated a moratorium agreement on Tuesday.

The task force agreed on

July 11 to a four-month moratorium on debt repayments to give Hooker time for an orderly disposal of assets to reduce its debt.

Mr George Herscu, still nom-inally company chairman, said

yesterday that the company had sufficient assets to wipe out its estimated A\$2bn (US\$1.5bn) of debt.

"Hooker has got rich assets," Mr Herscu said on commercial radio. "Hooker does not have to sell in a fire sale. Hooker can continue its business with a little injection of money.

Mr Herscu said up to 14,000 small investors would see only a fraction of their original investment after liquidators sold off their assets. He estimated he would lose A\$250m.



DM 100,000.000,— Floating Rate Notes Schuldverschreibungen — Serie 223

For the three months 30th July 1989 to 29th October 1989 the notes will carry an interest rate of 6.95 % (Fibor less 0,10%) per annum with a coupon amount of DM 86,88 per DM 5,000,— note. The relevant interest payment date will be, 30th October 1989.

Usting in Düsseldorf and Frankfurt,

Deutsche Siedtungs- und Landesrenten Kennedyallee 62--70, 5300 Borm 2 Telephone 02 28 / 889-215

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Jul. 1901/1910 +1 Jul. 2283/2293 +1 Aug. 2622/2634 +13
Sep. 1923/1932 +2 Sep. 2310/2320 +3 Sep. 2632/2644 +13

Prices taken at 5pm and change is from previous close at 9pm



Mitsubishi Petrochemical Company Limited

(Mitsubishi Yuka Kabushiki Kaisha)

U.S. \$320,000,000

4% PER CENT NOTES DUE 1994 WITH WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF MITSUBISHI PETROCHEMICAL COMPANY LIMITED

ISSUE PRICE 100 PER CENT

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Mitsubishi Finance International Limited Nomura International J. P. Morgan Securities Ltd.

Daiwa Europe Limited LTCB International Limited Yamaichi International (Europe) Limited Amsterdam-Rotterdam Bank N.V. Citicorp Investment Bank Limited Kleinwort Benson Limited Ryoko Securities International Limited Tokyo Securities Co. (Europe) Ltd. S.G. Warburg Securities

IBJ International Limited Mitsubishi Trust International Limited Algemene Bank Nederland N.V. Bank of Tokyo Capital Markets Group Generale Bank Norinchukin International Limited Société Générale **UBS Phillips & Drew Securities Limited** Westdeutsche Landesbank Girozentrale

All these securities having been sold, this announcement appears as a matter of record only.



Mitsubishi Petrochemical Company Limited

(Mitsubishi Yuka Kabushiki Kaisha)

U.S. \$320,000,000

45% per cent. Notes due 1994

Warrants

to subscribe for shares of common stock of Mitsubishi Petrochemical Company Limited

Issue Price 100 per cent.

Yamaichi International (H.K.) Limited

Mitsubishi Finance (Hong Kong) Limited

J. P. Morgan Securities Ltd.

The Nikko Merchant Bank (Singapore) Ltd.

Nomura Singapore Limited

LTCB Asia Limited Amro Finance & Securities (Asia) Limited

Mitsubishi Trust Finance (Asia) Limited

Generale Bank Sogen Asia Limited

Tokai Asia Limited

S. G. Warburg Securities

Daiwa Singapore Limited

IBJ Asia Limited

ABN Capital Markets Far East Ltd. Citicorp International Limited, Hong Kong

Kleinwort Benson Limited Taiheiyo Securities (H.K.) Limited

UBS Phillips & Drew Securities Limited

WestLB Securities Pacific Limited, Hong Kong

Company

NEW ISSUE

27th July, 1989



UNITIKA LTD.

U.S.\$300,000,000 4 per cent. Guaranteed Bonds due 1993

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The Sanwa Bank, Limited

with

Warrants

to subscribe for shares of common stock of Unitika Ltd.

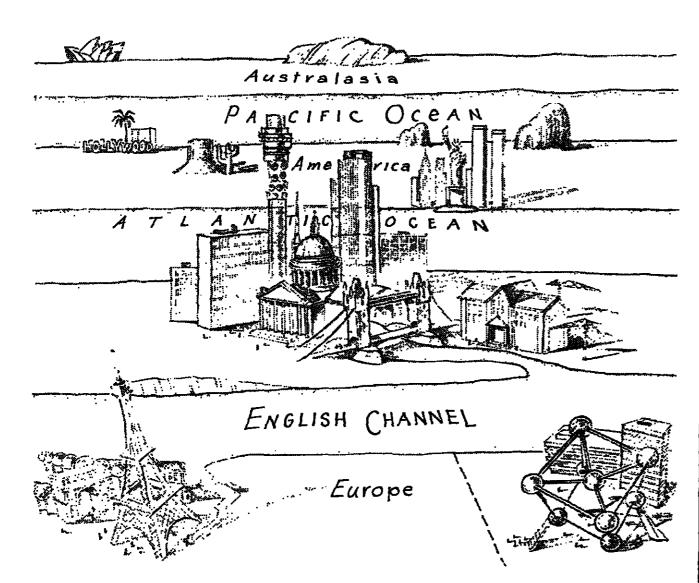
Issue Price 100 per cent.

Nomura International

IB.J International Limited
The Nikko Securities Co., (Europe) Ltd.
Yamaichi International (Europe) Limited
Banque Indosuez
Baring Brothers & Co., Limited
Deutsche Bank Capital Markets Limited
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Ichiyoshi International (H.K.) Limited
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Okasan International (Europe) Limited
Shearson Lehman Hutton International
Tokai International (Europe) Limited
Wako International (Europe) Limited

Sanwa International Limited

Daiwa Europe Limited
Toyo Trust International Limited
Banque Bruxelles Lambert S.A.
Barclays de Zoete Wedd Limited
Crédit Lyonnais Securities
Goldman Sachs International Limited
Kleinwort Benson Limited
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For a copy of our International Brochure and/or our 1989 Annual Report and Accounts, please contact Miss Jacqueline Bult, Corporate Marketing Department,

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INTERNATIONAL CAPITAL MARKETS

Spain braces itself for Big Bang

Peter Bruce reports on Madrid's coming stock market deregulation

r Pedro Guerrero is not a plumber. A stockbroker and new-ly-elected president, at 36, of the Madrid stock exchange, he confesses nevertheless to having spent the last six weeks feverishly plugging holes.

of Barclay's Securities in Spain, which has teamed up with a Madrid agente to form a new brokerage, was only told this week how much registration of the new brokerage would cost. They paid the Pta420m (\$3.56m) yesterday

ing spent the last six weeks feverishly plugging holes.
After nearly 160 years of virtually unchanged trading practices, today is the last day that Spain's Agentes de Cambio y Bolsa, the licensed notaries who have a trading monopoly, will walk on to the floors of the bolsas in Madrid, Barcelona, Valencia and Bilbao and trade as individuals.

This is Spain's 'Big Bang' — probably the most sweeping financial reform put into place since the death of General Franco in 1975. From Monday, the agentes become limited companies. Most of the 51 new brokers and agents operating in Madrid have found powerful new domestic and foreign partners to back them.

Mr Guerrero, at just 36, was one of the last agentes to be licenced. He is a co-founder of Asesores Bursatiles, one of the dozens of small 'shadow' brokerages set up a few years ago by agentes who wanted to prepare themselves for what begins on Monday. He was elected chairman of the Madrid exchange last week and is still a little out of breath.

"The first priority we have is to make sure the market works on Monday," he says. "Although it will basically be the same market, we are going to have a huge plumbing job on our hands because in the place of 82 individual agentes there will be 51 brokers and agents." (Only brokers can trade on their own account).

"We have had to change

switchboards, desks on the floor, kiosks, telephones and codes and we have done it all in a month and a half. Its monstrous.*

But the Spanish have a knack for doing things at the last moment and he is not the only player working hard. Mr Edward Nicholson, chief

of Barclay's Securities in Spain, which has teamed up with a Madrid agente to form a new brokerage, was only told this week how much registration of the new brokerage would cost. They paid the Pta420m (\$3.56m) yesterday afternoon, as telephone engineers (amazingly for Spain, after only two weeks notice) were milling about his offices laying lines for the markets new computer trading system, Cats. "It's quite impressive, actually," said Mr Nicholson, who last week paid another Pta80m for membership of the new company of brokers who will administer the market.

"We just hope we don't have any additional costs."

Despite the frantic last-minute race to put the technical elements of the market together, a strange calm has come over brokers in Madrid in the last two weeks. Volumes in the market are down anyway, but their fears of just a few months ago — of commissions wars, of battles to force companies to quote on Cats — seem to have vaporised in the dry Spanish heat.

The reforms, agreed on by

Parliament a year ago, have two aims: to make the markets more transparent and to develop them as a badly-needed source of long term capital for Spanish industry.

"We need to develop institutional investment here," says Mr Guerrero. "At the moment more than half the market's business is with individuals." Spanish companies, as they grow more ambitious, are pressing hard. "The Spanish bolsas account for a very small

economy that has depended mostly on the banks," he says. Although foreign investors account for nearly 25 per cent of volumes traded in Spain, analysts believe many stay away for fear of Madrid's poor reputation for transparency and the suspicion that trading is manipulated. The Japanese invest practically nothing.

part of the economy. It is an



Luis Carlos Croissier: fighting for Cats system

Mr Guerrero hopes two things will change that. First, trading continuously on computers rather than in 10 minute floor sessions for each sector will make the movement of shares easier to follow. Cats has been a disappointment since it began a few months ago and many brokers complain it is slow and cannot guarantee liquidity as concentrated floor sessions do. "I think a lot of people are genuinely frightened of the technology," says Mr Nicholson. "And until now, without the ability to make markets, you just don't have enough liquidity."

Trading volumes in the companies that have entered Cats have been even lower than the rest of the market.

Mr Guerrero concedes the point. "We need to improve it a little," he says. The system was developed by the Toronto stock exchange in the 1970s and, the market's new chairman said, many of its programmes were old.

He has, however, joined forces with Mr Luis Carlos Croissier, the young Canary islander who heads the new market watchdog, the Comision Nacional del Mercado de Valores, to encourage companies to quote on Cats. "We will fight for it," he says. A loophole in the new stock market

law means companies cannot be forced to join Cats. But Mr Croissier expects half of the stocks in the market to be on Cats by the end of the year.

His other big headache is to put together a streamlined settlements system that works. "We are worse than some places but we are not starting from a very bad base," he says. "In my experience our settlements system in Spain is comparable to the French or German ones and much better than what the Italians have."

than what the Italians have."

That may not be the best of recommendations and a time-table for establishing a separate company, made up of brokers and financial institutions has not been set. But the four Spanish markets have three months from Monday to connect up with each other electronically, which should be an important first step towards a modern ~ some brokers in Madrid say revolutionary —

settlements system.

Luckily for the brokers, Mr Croissier has at least removed one great danger by deciding to maintain the market's old 0.25 fixed commission for the time being. This will have to be phased out by 1992, when agentes who have teamed up with big Spanish banks may be able to squeeze their smaller former colleagues.

Mr Guerrero, as one of the latter, does not worry, as some people do, that the bank driven brokerages will dominate the market. "Stockbroking is very different to banking," he says, "we will have to see."

On Monday, the Madrid floor will be different but not wildly so. The shouts of traders will still crash around its ornate walls and may continue to do so for a year or more as quoted companies resist pressure to enter the Cats system and trade on a screen.

trade on a screen.

In Spain, the traditional approach to change is to hunch your shoulders, turn your palms up and mutter "no pasa nada" — nothing is happening. It seems to work.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

US BOLLAR
Change on
STRAIGHTS
Esset Bid Offer day week Yield
YEN STRAIGHTS
Esset

US DOLLAR			•	hange	_		
STRAIGHTS	Issued	Bid				Yield	YEN STRAIGHTS
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Brit. Tel. Fln. 93 98	250		1043				Canada 5 % 93
BP America 94 99	250	11044	1054	+01	+03-	8.94	Eurofima 5 1995
Canada 9 96		1035					E.I.B. 43 93
Canadian Pac 104 93	100	11021					Ireland 51, 93
C.C.C.E 94 95			1035				Norway 5 4, 95
C.N.C.A 91 93		10212	103	+01⊊	+0%	5.61	Sweden 45, 93
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Credit National 73 92			973	+018	+0 ዓ	8.36	World Bank 7 94
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Metropolis Tokyo 9 ½ 93	200	103	703 ك	404	+0 ½	8 34	Ford Cr.Can.10 % 93 CS
Nippon Tel.&Tel. 9 % 98	250	1044				8.64	Ford Cred.Can.10 7 96CS
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ital Newspapers 804 E	10/89	877	1004			
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No information available-previous day's price
 Tonly one market maker supplied a price
 Bonds: The yield is the yield to entermiting of the entermiting of

traight Bonds: The yield is the yield to redemption of the mid-prior the amount issued is in millions of currency units except for Ye bonds where it is in billions. Change on week — Change over price week earlier.

Josting Rate Notes: Denominated in dollars unless otherwise indicated Coupon Shown is minimum. Cate — Date next coupon become effective. Spread: Margin above sur-month offered rate fathers month, sabove mean rotel for US dollars. C.cpn — The currer coupon.

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Eagle Star ratings to be retained

By Norma Cohen

THE TWO leading credit rating agencies are no longer considering a downgrade of nine issues of mortgage-backed securities guaranteed by Eagle Star Insurance Company because alternative insurance arrangements have been made. One of the two ratings agen-

One of the two ratings agencies, Moody's Investors Service, said it is raising the credit rating on several of the issues to AA-1 from AA-2 as a result of the enhanced insurance cover.

Special Risk Services, an

special Risk Services, an insurance broker which arranged the insurance cover for the securities upon issuance, said that a credit enhancement facility through Trade Indemnity Group had been arranged which includes extensive reinsurance support. Eagle Star itself has absorbed the cost of arranging the new insurance cover.

Standard and Poor's and Moody's Investors' Service had said they were reviewing the AA claims-paying rating of Eagle Star following a hostile £13bn (\$21.3bn) bid for its parent company, BAT Industries by Hoylake Investments. Because the various mortgage-backed securities carried a AA credit rating by virtue of an insurance policy provided by Eagle Star, they too were affected by the ratings review.

Asset-backed securities issued in the Euromarkets in many cases carry a pool insurance policy from a private insurance company which provides a top-quality credit rating.

An alternative method of obtaining a top-flight insurance policy requires overcollateralising the securities and selling a subordinated tranche of debt the proceeds of which would be used to pay investors in the senior tranche should some of the assets in the pool default. This structure predominates in the US asset-backed securities market.

CORPORATE
SECURITY

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or write to him at: Number One Southwark Bridge London SEI 9HL

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FINANCIAL TIMES
GUNGFE S BUNNETS IN MOVEMENT

INTERNATIONAL CAPITAL MARKETS

Gefco £250m issue makes P&O steps up Tokyo UK takes shine to covered warrants dramatic market debut

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AN ISSUE worth £250m for Guaranteed Export Finance Corporation (Gefco) – a finan-cing vehicle created to hold UK export credits - dramatically entered the sterling bond markets yesterday as the first such issue in sterling to carry an explicit UK government guar-

INTERNATIONAL BONDS

The issue was designed to move loans from the balance sheet of the Export Credits Guarantee Department, under the department's plans to securitise some of its portfolio, and to offer the issue to private sector investors. In February 1987, Gefco issued a government guaranteed \$150m deal to refinance export credit loans. refinance export credit loans. The deal traded strongly, as yield spreads of Euro-starling bonds moved sharply in rela-tion to their UK government

The deal's success was mainly due to its perceived quality as fixed-income investors have become nervous about corporate bond holdings following the leveraged £18bn bid for BAT Industries. Amid tetchy debate among syndicate managers as to whether the deal was domestic

Gefoo∳ Student Loan M'gage Ass.(a)∳ Metilite Funding Inc.(a)∳

FRENCH FRANCS
Deutsche Giroz.-D'sche K(a)

CANADIAN DOLLARS Eksport/Inana A/S(a)♦

Tsumura and Co.(b)

AUSTRALIAN DOLLARS
Dresdner Bank Berlin(a)

SWISS FRANCS
Nippel Toyama Corp.(c)****
Tsubakimoto Mach. & Englifi***
Yuasa Funashoku Co.#**
Yuasa Funashoku Co.#**

91 Overseas Traders (8)

99 ALL-SHARE INDEX (703)...

FT-SE 100 SHARE INDEXA

**APThetic placement. With equity warrants. \$Convertible. warrants. 'A' exercisable for 3 years, 'B' for 5 years. c) Yie 3.863%.

ECUa Eurofima(a)∳

Borrower US DOLLARS

or international, traders and investors nevertheless claimed that a new class of bonds had been created which would trade between government and supranational issues.

The loan stock, which will mature on 7 January 2010, was placed mostly with UK instituplaced mostly with UK institu-tions which were hungry for the paper's launch yield of 40 basis points over the 9 per cent gilt-edged stock maturing in 2008. The joint lead managers were Barclays de Zoete Wedd and SG Warburg.
Dealers said the impact of the deal was immediate. Early grey market indications were that the stock would open at a premium of around % point when the price was fixed in the afternoon. A rush of buying

afternoon. A rush of buying then saw the premium jump as high as % point, which repre-sented a sharp narrowing of the launch spread to around 33 basis points over the glit.

Dealers said that the Gefco deal had focused investors' attention on credit quality. Sovereign and supranational sterling issues, particularly at the longer end of the maturity curve, were in strong demand. Issues by the World Bank and the European Investment Bank, for example, tightened in spread terms by as much as 5 basis points, or a 1% point

NEW INTERNATIONAL BOND ISSUES

101%

1013

10112

100

102

1994

1998

1994

1993

gain in price terms.

8%

(1%)

15

500

125

100

Elsewhere, Eurobond mar-kets had an active day, with new issues in abundance. Two Euro-sterling deals for USbased borrowers were trading at discounts equivalent to full underwriting commissions. Bankers Trust was the lead managar of a successful 10-year Ecu125m deal for Eurofima. Amid strong demand from institutions, the bonds were quoted inside fees at less 1.80 bid.

hid.

The Canadian dollar sector was also tapped with a C\$150m five-year deal for Eksportinans which was brought by IBJ International. The bonds carried a 10% per cent coupon and were priced at 101% to yield 62 basis points over Treasuries. They were quoted by IBJ at less 1.80 bid, just inside total underwriting fees.

Credit Lyonnais brought a

Credit Lyonnais brought a swap-related FFr500m sevenyear deal for Deutsche Groz-entrale with an 8% per cent coupon and a launch spread against French government bonds of around 48 basis points. The paper was trading at less 1% bid, inside full fees of 1% per cent. In Switzerland yesterday, a

Japanese equity warrant deal for Yuasa Funashoku was offered with a fixed coupon of 3 per cent, the highest coupon seen for some time

17/14 Credit Lyonnels

21/11/2 DG Bank

2/13 Bankers Trust Int.

134/13 Drescher Bk (Luciembourg)

Nomura Benk (Switz) B.della Sviz. Italiana B.della Sviz. Italiana

issue to \$175m

THE FIRST issue of foreign currency convertible bonds in Tokyo – a dollar-denominated deal for P&O, the UK shipping and property group – has been increased in size from the originally planned \$150m to \$175m, Reuter reports from

Tokyo.

The so-called shogun convertible bond — with a maturity of 14½ years — carries an annual coupon of 8 per cant and will be priced at par.

Conversion price was set at 775p, compared with the closing share price of 687p in London on Wednesday, a 12.8 per cent conversion premium. The sterling exchange rate was set at \$1.6457. Conversion period is November 3, 1989 to April 28, 2004.

Salomon sees rise in US bond 'event risk'

SALOMON BROTHERS said US corporate bond "event risk" - the threat of sudden credit quality erosion arising from restructurings — is likely to increase in the next six months, Reuters reports. In a special report, Salomon said event risk activity would accelerate over that period given the forecast for lower interest rates. It said the "prospects for positive eco-nomic growth associated with

a soft landing, an abundance of equity capital, and lower overall interest rates suggest

that the pace of restructuring activity will not abate." Salomon said the relative price level of the stock marks still represented a substantial discount to private market val-uations. It said this and the abundance of equity funds available for investment meant there were more leveraged restructuring opportuni-ties. Restructurings include mergers, acquisitions, leveraged recapitalisations, stock repurchases and leveraged

Taking a broader view, Salomon said "overall credit qual-ity is once again expected to be sustained as America continues to operate at peak cycli-cal levels of profitability."

GENERATING enthusiasm among UK investors for equity derivative products has always been something of a daunting task. The London Traded Options Market knows that, and freely admits its performance during its 11-year existance has been a disappoint-

Now after just two months an equity derivative new to the UK market is even attracting interest from UK retail inves-tors - a hitherto unrewarding market for equity derivatives. The ninth covered warrant on UK shares, for British Airport Authorities, was issued yester-day by Salomon, bringing the firm's tally to four. Bankers Trust, which has brought the other five, predicts a total of 50 such deals by the end of the

While these issues have been small in size — typically between £25m and £50m apiece — their apparent success demonstrates a significant interest in an instrument that effectively represents a long-dated

option. Buyers of covered warrants in the more established Swiss market - where much of the business consists of repackaging existing Japanese equity warrants – have been an obvious target for the UK variety too, but new buyers have also been located. Quentin Burrows at NatWest Stockbrokers says that his more combinational that his more sophisticated retail clients have been buying warrants and trading options

isfy everybody. First, credit considerations have put off at least a few fund managers. The deals fall short of the textbook definition of a covered warrant, where the warrant issuer is assumed to hold an equivalent number of

around them. However, the current structure does not sat-

ally naked warrants hedged by the issuing house using a variety of instruments such as traded options as well as the shares. In the end, investors are buying the risk of Bankers Trust International, or of Salomon's.

Another bone of contention is pricing levels. One UK house says it would only begin issu-ing covered warrants when the implied volatilities are more nearly equivalent to those on the traded options. Currently the warrants are between 3 and 5 per cent more expensive, although short-term volatilities are themselves quite high at

But Salomon for instance, argues that these short-term volatilities are an inappropriate yardstick. All its iss says, have been for a three year maturity – in contrast to BTI issues, which mature after eighteen months. The longer maturity by definition entails greater risk, which in addition cannot so easily be hedged in the short-term options market, the firm argues.

Also, some investors have noted an inbuilt inflexibility in that they cannot run a short position for long, owing to the obligation to deliver the war-rants within seven days via the

Euroclear system. Moreover, because the issues are small, liquidity is patchy, and secondary market posi-tions more transparent to the issuer. Here Bankers Trust counters that its prices are firm for 100,000 shares, which it hints is generally rather better than on the floor of the

options exchange.

Another potential problem is that it is not always clear exactly how many warrants have been issued. One sceptic argues that the recent flurry has had more to do with the necessity of issuing houses broadening their portfolios and hence diversifying their own risk than with customer

Salomon's BAA deal reportedly fell short of its target of 5m shares yesterday, which may point to a temporary glut

in the market.
But it would be quite wrong to dismiss the importance of this new market. Mr Quintin Price at James Capel interprets the move more generally as indicative of the increasing sophistication of equity mar-kets, which, like the bond mar-

kets before them, will become "more quantitive." The interest generated by this nascent market has set LTOM thinking. The exchange will shortly be sounding out Bankers Trust about the possibility of trading covered war-rants on the floor of the

exchange, It is far from clear whether the issuing houses would favour such a move, and some officials are privately sceptical whether this would enhance

Treasuries respond warmly to GNP data

By Janet Bush in New York and Katharine Campbell in London

TREASURY bonds continued to improve yester-day in a positive reaction to second-quarter GNP figures which underlined the decelera-tion in the economy this year and to a persistent softness in

GOVERNMENT BONDS

the Fed Funds rate which con-firmed an easing in policy. At mid-session, the Treasury's benchmark long bond was quoted just under % point higher for a yield of 8.07 per cent. Fed Funds were quoted at 9 per cent, regarded as the bot-tom end of a new target range of 9 per cent to 9% per cent.

The Fed arranged four-day matched sales to drain liquid-

ity of the market, consistent with the new, lower range. Yesterday's GNP figures were taken positively by the market. GNP rose by 1.7 percent in the second quarter,

slightly below forecasts of a 2 per cent gain. In addition, first-quarter GNP was revised to a gain of 3.7 per cent from 4.4 per cent reported previ-

NETHERLANDS 7.000 3/99 99.7500 +0.080 7.03 7.06 7.13

■ THE UK bond market

retained its optimistic tone yes-terday, although prices closed off the highs achieved during the morning. The Treasury 2003-07 ended $\frac{1}{16}$ of a point firmer at 115-14.

The buoyant mood was

Br	.NO		Y 04	N/ED				
		Coupon	Red Date	Price	Change	Yleid	Week ago	Month ago
uk gilts		13.500 9.750 9.000	9/92 1/98 10/08	107-06 98-09 98-02	+6/32 +15/32 +12/32	10.74 10.05 9.21	10.91 10.20 9.28	11.28 10.52 9.51
US TREAS	URY "	9.125 8.875	5/99 2/19	107-27 108-30	+ 14/32 + 14/32	7,95 8.08	8.01 8.11	8.12 8.10
JAPAN	No 111 No 2	4.600 5.700	6/98 3/07	98.7317 106.7643	-0.117	5.14 4.98	5.23 5.01	5.39 5.14
GERMANY		7.000	2/99	102,4000	-	6.64	6.84	6.73
FRANCE	BTAN OAT	8.000 8.125	1/94 5/99	97.5382 97.8700	+0.037 +0.070	8.66 8.44	8.74 8.51	8,91 8,63
CANADA *	1	10.250	12/98	105.7750	+0.082	9.31	9.29	9.36

12.000 7/99 93.0743 -0.062 13.27 13.47 13.54 London closing, *denotes New York morning session
Viside: Local market standard Prices: US, UK in 32nds., others in decimal Technical Date/ATLAS Price Sources

strength, as the currency breached the DM3.10 level, and ended, at 93.4, another 0.4 point stronger on the trade-weighted index. This encouraged further interest from foreign buyers, although domestic institutions remain in the shadows.

A £250m government-backed deal for the Guaranteed Export Finance Corp in the domestic market did not take the edge off the advance in gilt-edged securities, traders said.

■ NEW ISSUES in several other bond markets were announced yesterday. In Switzerland the National Bank announced a tender for around SFr250m of eight-year paper, redeemable by the Government after six years, with a 5% per cent coupon.

Meanwhile the Swedish authorities took advantage of the recent lifting of exchange controls to solicit bids for up to SKr2bn worth of bonds due 2000 with an 11 per cent cou-

puts, and a gain of 2p to 222p in

LONDON MARKET STATISTICS

the institute of Actuaries and the Faculty of Actuaries Mod Jul 24 The Jul 25 EQUITY GROUPS Thursday July 27 1989 & SUB-SECTIONS Grass Div, Yield% (Act. at (25%) Day's Change index No. +0.5 +0.6 ·10.75 11.98 14.60 4.06 4.34 4.32 3.92 3.31 3.89 16.49 923.17 965.51 963.51 886.18 25.92 1211.50 1213.22 1210.97 1018.62 32.70 1615.16 1616.12 1614.80 1610.80 2 Building Materials (29). 3 Contracting Construction (37) ... 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TRADITIONAL OPTIONS Jui 24 Calls In Lowndee C'Way, Butis,
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Chem, Polly Peck, Bridgend, Cosend of all, Noriolic Cep, ASDA, McCarifry First Dealings Shell Tra (4420)

dled in the July 2,300 calls.

Overall options business saw
the moderately high level by
recent standards of 46,313 con-BRITISH STEEL was the most heavily traded of the individual stocks on the London Traded Options Market yesterday, attract-Ing 4,400 contracts, as the under-tying share price of the stock rose 2p to 77p. Business in Steel was split between 4,380 calls and no spit between 4,330 calls and no more than 20 puts. Far and away the most heavily traded individual series in it was the October 90 call, which saw 3,449 contracts, but the October 80 calls were also active, on 536 contracts, and there were 280 contracts in the

October 60 cells The FT-SE 100 Index picked up 19.2 points to 2,283.7, and found options trading of 6,479 contracts, puts, as it approached its July CALLS PUTS
Oct Jan Apr Oct Jan Apr Option

STC 1985)

recent standards or 40,313 con-tracts, a total, however, hardly making it a market hay-day. There were 35,238 call contracts traded overall, and 11,075 put. The overall analysis of yesterday's options trading continued to be coloured by the transition to a new trade registration system. British Gas offered British Steel something of a chase, to total 3.610 contracts, comprised of

3,252 calls and 358 puts, though the underlying price of its share was barely changed, up 1p to 201p. A striking feature in it was the trading of 2,873 contracts in the September 200 calls. Hanson found 3,082 contracts, consisting of 3,059 calls and 23 CALLS PITTS Get Jan Apr Get Jan Apr Option

the underlying share price. There was business in the August and February 200 calls, the one of 1,508 contracts and the other of 1,260, though these stood out somewhat blankly in terms of change in open position in the stock options, on the early count stock options, on the early count.
Only two other stocks attracted more than 2,000 contracts in options trading. GEC saw 2,439, and an unchanged underlying share price of 267p. There were dealings of 2,433 on the call side of the stock, and of only 6 on the put. The August 220 calls attracted 1,205 contracts, and the November 260s 512. British Petrolum attracted 2,275 contracts 363 calls and 1,912 puts, and closed unchanged on balance on CALLS PUTS Sep Nor Jan Sep Nor Jan

Casts 24,508 Purs 9,040
FT-SE Index Calls N/A Puts N/A
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Interfinco S.A.

Notice to Holders of Guaranteed Warrants

Guaranteed by COFIDE -Compagnia Finanziaria De Benedetti S.p.A. to purchase up to 23,980,000 Common Shares of CIR S.p.A. - Compagnie industriali Riunite Issued on May 25, 1989 (the "Interfinco Warrants")

On July 14, 1989, the Board of Directors of CIR S.p.A. ~ Compagnie Industriali Filunite approved resolutions which may result in an diustment to the Warrant Exercise Price as follows:

(a) RESOLVED to issue Common Shares to be offered to all shareholders in the ratio of one new Common Share for each 20 shares held of any category, at a price of Lire 5,090 per Common Share. The new Common Shares to be issued will be entitled to receive dividends as from January 1, 1989.

(b) RESOLVED to issue 9.5 per cent. Bonds due January, 1995 with Warrants attached to be offered to all shareholders at par in the ratio of one Bond of Lire 3,500 for each 20 shares held of

Each Bond will have attached two Warrants (which may be detached):-

- Warrant (A) shall entitle the holder to subscribe for Common Shares in the ratio of one Common Share for every 4 Warrants (A) held at an exercise price of Lire 6,500 per Common Share.

- Warrant (B) shall entitle the holder to subscribe for Non-Convertible Savings Shares of CIR S.p.A. - Compagnie Industriali Riunite in the ratio of one Non-Convertible Savings Share for each Warrant (B) held, at an exercise price of Lire

3,500 per Non-Convertible Savings Share. Both Warrants (A) and Warrants (B) may be exercised at any time

up to and including January 1, 1995. The issues of the Common Shares and the Bonds with Warrants described, respectively, in (a) and (b) above are subject to the consent of the Italian Government Authorities and approval by the Tribunal of Turin. It is expected that such consent and approval with

be granted before August 15, 1969. Holders of the Interfinco Warrants are advised that Interfinco S.A. has elected to deliver the Cash Amount to such exercising holders until further notification in accordance with the Terms and Conditions of the Interfinco Warrants.

On the assumption that the consent and approval referred to above are duly received, pending the calculation of such adjustment, Interfinco Warrants may not be exercised during a Suspension Period beginning on and including August 9, 1989 and ending on August 22, 1989 all in accordance with the terms of the Interfinco Warrants. The current Warrant Exercise Price will continue to apply until August 9, 1989 in respect of Interfince Warrants exercised prior to that date. The adjusted Warrant Exercise Prica will be published in accordance with the terms of the Interfinco Warrants

Interfinco S.A.

KB IFIMA N.V.

KB Internationale Financieringsmaatschappij N.V.

US\$ 150.000.000 **Guaranteed Floating Rate Notes Due 2011**

In accordance with the Description of the Notes notice is hereby given that for the interest period from July 27, 1989 to October 27, 1989 the Notes will carry an interest rate of 9.025 % per annum.

The interest payable on the relevant interest payment date, October 27, 1989 against coupon no 14 will be US\$ 230.54 per Note of US\$ 10,000 nominal and US\$ 5,765.97 per Note of US\$ 250,000 nominal.



UK COMPANY NEWS

£58m security expansion by ASH

AUTOMATED SECURITY (Holdings), which owns Mod-ern Alarms, yesterday spent more than £58m in cash and shares to buy Lander Alarms and 75 per cent of Group 4

The move increases the number of ASH security systems in the UK by nearly 50 per cent to 178,000 and makes the company the second larg-est operator of alarm systems in the world after ADT, Mr Michael Ashcroft's Bermudaregistered industrial services

group.
The deals will be funded by a one-for-three rights issue to raise £72.9m. About 32.6m new ordinary shares are to be issued at 230p each, compared with yesterday's closing price of 270p, down 13p.

ASH is buying Lander from RMC Group, the concrete and

aggregates company, for about

JACQUES VERT, the USM-quoted women's wear

group, saw its shares rise by 12p to 362p yesterday when it announced a 60 per cent rise in pre-tax profits to £6.43m for the

15 months to April 30, com-

pared with the previous year. In recent months a number

of clothing companies have

announced poor results due to the uncomfortable combination

of increasing imports and slug-

gish consumer spending.

Mr Alan Green, joint chairman, said so far Vert has emerged unscathed from the

tough trading environment. He attributed this to the composi-

tion of its customer base which

is concentrated among affluent

£45.21m (£23.98m) and gross

profits to £19.11m (£9.21m) dur-ing the 15 months. It incurred

higher costs due to its invest-

The following companies have notified dates of board meetings to the Stock Euchange. Such meetings are sessably held for the purpose of considering dividends. Official indications are not swatistic as to whether the dividends are interests or finals and the subdividends are interests or finals and the subdividends shown below are based mainly on less year, a timetribule.

The company's sales rose to

over-25 vear olds.

the

BOARD MEETINGS

margins.

646m in cash. fam in cash.

Mr Tom Buffett, ASH's chairman and chief executive, said yesterday: "This is the first time one has been able to buy a large chunk of alarm systems

as an asset purchase rather than as a company, which has considerable tax advantages." ASH is also paying about 27.4m in cash and 1.82m ASH shares for 75 per cent of Group 4 Alarms. The business is part of Group 4 Securitas (Interna-tional) which will retain 25 per-cent and operate it as a joint

enture with ASH. It is ASH's second major acquisition announcement within a month. At the end of June the group bought API Alarm Systems, a Californian central station alarm business, for \$105m in cash. The proceeds of the rights issue will also be used to re-finance bor-

ment in the new Alain Can-

nelle leisurewear collection

and in recruiting new staff.

Overheads rose to £12.55m

(£5.25m) thereby depressing

The wholesale business ben-

efited from strong sales to established customers in the

UK and boosted turnover to £31.61m (£18.56m). Mr Green said that the level of orders for

the autumn had reached record

levels, despite the general

slowdown in consumer spend-

The retail division increased sales to \$5.77m (£2.6m). Vert now has 18 shops in the UK

and envisages slow, steady

expansion in the future. Mr

Green said the growth in sales

from the shops had slowed

down in recent months, but

had not fallen below last year's

Jacques Vert bucks trend with £6.43m

other deals, which have pushed ASH's gearing up to about 100

ASH also announced yesterday a 23 per cent increase in to £8.75m — in the six months e-tax profits - from £7.12m to May 31. Turnover rose from 234.6m to £41.9m and earnings per share were up to 7.7p

The group declared an interim dividend of 1.5p and said the 56 per cent incre last year's dividend of 0.960 would be repeated for the final dividend.

Mr Buffett said yesterday that although ASH's main strategy was directed towards Europe and the US, the UK acquisitions would help strengthen ASH's home base by increasing the density of systems. He added that the total number of central monitoring stations operated by the

(£2.49m). The US operation

made a small loss during the 15 months, but Vert has now com-

pleted the reorganisation of

this business since buying out its old US distributor.

make a modest profit this year. Collections, the costume jew-

ellery business, made a loss on sales of 21.02m. The business was profitable when Vert

bought it 18 months ago, but

the costume jewellery market has since become much more

Mr Green said the business was too small to affect the

group as a whole and described

its problems as a "pinprick, rather than a pain". Collec-tions is not expected to return

At a time when so many cloth-

ing companies are struggling

to profit this year.

Mr Green expected it to

enlarged group would be reduced from 13 to four, with consequent savings. Lander has total rental and

maintenance income of about £8.5m annually and made £600,000 from turnover of £17.6m in 1988. It had net Group 4 Alarms' annual income is about £5.8m and the

business had net assets of

about £4m at June 30. Under the terms of the rights issue, ASH ordinary shareholders will be offered one new ordinary share for every three held. Other stockholders will be offered 10 ordinary shares for every 51 of the 5 per cent preference shares, or oneordi-nary share for every eight of the 6 per cent preference shares, or five ordinary shares for every £9 nominal of the convertible loan

to maintain output and profit-

ability in intensely competitive conditions, Jacques Vert has demonstrated remarkable resil-

ience. The investment in the new collection and in expand-

ing the management team took a toll on margins last year. But the bulk of the expenditure has

been completed and the com-pany should at least maintain

margins this year. The healthy

state of autumn orders augurs

well, although the slowdown in retail sales suggests that its

comfortably-off customers are not entirely immune to increased interest rates. The

costume jewellery company is

still in trouble; but the US

should contribute from now onwards. The City is expecting pre-tax profits of £5.8m for

the full year leaving the

shares to move with the mar-

ket on a prospective p/e of

Morgan Crucible makes £32m-worth of US and UK buys

MORGAN CRUCIBLE, the industrial materials and electronics company, yesterday announced a string of acquisitions of US and UK high technology companies for a total maximum consideration of about \$31.5m

about £31.5m. The total initial consideration, which amounts to about £28.4m, will be financed by an open offer for 11.68m new ordi-nary shares priced at 265p each. Yesterday the shares

closed down 1p at 282p.

The acquired companies comprise the piezo-electric ceramics businesses of Verni-tron for £12.2m; Alberox, which specialises in the application of metallised coatings to ceramics, for an initial consideration of £4.8m; Aamcor, manufacturer of special floor coatings for £7.3m; and two other small companies for a total of £4.1m. Morgan Crucible said that the acquisitions "fit extremely well with Morgan's existing

It said that the acquisition of the Vernitron businesses "sub-stantially achieved its objec-tive" of strengthening its tech-

nical ceramics operations in the US, particularly in piezo-ce-

Piezo ceramics generate elec-tricity if subjected to mechani-cal impulse and expand and

cal impulse and expand and contract in a varying magnetic field. Applications range from Sonar to video equipment.

Together with Unilator, Morgan's existing piezo-ceramics business, the companies will have combined 1988 sales of £10.5m. According to Morgan this will make it one of the major international piezo-cemajor international piezo-ce-

ramics groups.

In the year to the end of December 1988 the Vernitron businesses reported pre-tax profits of £1.8m on sales of 27.9m. For the same period, Alberox achieved pre-tax prof-its of £200,000 on sales of £5.8m and Aamcor had pre-tax profits of £1.1m on turnover of £6.8m. Under the terms of the share issue, existing shareholders will be able to apply for any number of new shares up to a maximum of one new share for every 11.57 ordinary shares held and for every 31.81 con-

St Andrew Trust raises NAV by 22.3%

In the half-year to June 30 1989 St Andrew Trust increased its net asset value per share by 22.3 per cent from

214.79 to 262.6p.

The trust pointed out that in the 12 months to end-June St Andrew was the best performing of all invest-ment trusts in its sector -Association of Investment Trusts category of "smaller companies" specialists ranked by total return of net asset value for the year to June 30

Pre-tax profits for the period were up from £1.18m to £1.42m and after tax of £400,000 (£341,000) earnings per 25p ordinary rose from 2.4p to 2.94p. The interim dividend is

2.16p (1.8p) and a total of not less than 5.75p is forecast for the year.

25% NAV rise at Independent **Investment Co**

vertible preference shares held.

- 5

Independent Investment Company, which, following a reconstruction in July 1988, plans capital growth through venture capital opportunities, announced a 25 per cent increase in net asset value, from 60.14p to 75.34p, for the year to June 30.

The directors said there were more encouraging signs that some of the smaller, more recent, investments were developing well and could obtain listings during the cur-rent year if stock markets remained healthy. Pre-tax profits almost dou-

bled, from £702,000 to £1.4m, and after tax of £398,000 (£213,000) earnings per share gained 0.65p to 1.05p. The dividend is a same again

0.25p but in addition there is a special payment of 0.5p per share.

IRELAND

The Financial Times proposes to publish this survey on:

25th August 1989

For a full editorial synopsis and advertisement details, please contact:

> **GILLIAN KING** on 01-873 4823

or write to her at:

Number One Southwark Bridge London SEI 9HL

FINANCIAL TIMES

NOTICE NEW SOUTH WALES TREASURY CORPORATION

A\$225,000,000
12.1% Guaranteed Exchangeable Bonds due 1995
changeable into New South Wales Treasury Corporati
Inscribed Stock 12,1% due April 1995
payment of principal and interest guaranteed by

Notice is hereby given to the holders of the above Bonds that, at the Meeting of such holders convened by the Notice of Meeting published in the Financial Times on 14th June, 1989 and held at 10.45 a.m. (London time) on 6th July, 1989, the Extraordinary Resolution set out in such Notice wan daily passed Accordingly the modifications to the Fiscal Agency Agreement (including Exhibit B thereto) referred to in such Notice have been made with effect from 6th July, 1989 by means of a supplemental deed of the same data. A copy of the Notice of Meeting setting out the Extraordinary Resolution which was passed at the Meeting is available for inspection at the offices the Paying Agents set out below.

Fiscal and Paying Agent Bankers Trust Company, 1 Appold Street, London BC2A 2HE,

Bankers Trust Linembourg S.A., P.O. Box 807, 14 Boulevard F.D. Roosevelt, L-2450 Linembourg.

NEW SOUTH WALES TREASURY CORPORATION 28th July, 1989.

SAFRA REPUBLIC LUXEMBOURG



CONSOLIDATED STATEMENTS OF CONDITION

(In Thousands of US\$ except per share data)

		June 30,
Assets	1989	1988
Cash and due from banks Interest bearing deposits	51,399	50,077
with banks	2,332,099	1,476,963
Precious metals	1,512	2,347
Investment securities	1,283,252	742,493
Trading account assets	11,985	20,749
Loans, net of unearned income	818,172	572,257
Allowance for possible loan losses	(6,078)	(5,642)
Loans (net)	812,094	566,615
Customers' liability on		
acceptances	165	2,970
Premises and equipment	45,229	33,921
Accrued interest receivable	93,422	40,068
Other assets	38,400	17,681
Total assets	4,669,557	2,953,884

Liabilities and		June 30,
Shareholders' Equity	1989	1988
Non-interest bearing deposits Interest bearing deposits	143,989 3,308,499	97,829 2,049,243
Total deposits	3,452,488	2,147,072
Short-term borrowings Acceptances outstanding Accrued interest payable Other liabilities Long-term debt	127,504 165 39,355 21,244 68,298	235,442 2,970 21,669 9,542 74,244
Shareholders' equity: Common stock, US\$ 5 par value, 200,000,000 shares authorized; 17,831,012 shares outstanding in 1989		
and 8,656,231 in 1988	89,155	43,281
Surplus Retained earnings	819,851 51,497	374,828 44,836
Total shareholders' equity		462,945
Total liabilities and shareholders' equity	4,669,557	2,953,884

	Six months ende	d June 30,	First quarter	Second quarter	
•	1989	1988	1989	1989	
Net income Net income per share	30,517 US\$ 1.71	5,497 US\$ 0.68	15,116 US\$ 0.85	15,401 US\$ 0.86	
Average shares outstanding (in thousands)	17,831	8,098	17,831	17,831	

Safra Republic Holdings S.A.
32, Boulevard Royal - 2449 Luxembourg - Tel. 4793 3t 310 - Fax 4793 3t 226 - Telex 3320 RNBNY LU

Banking Subsidiaries Republic National Bank of New York (Suisse) S.A.: Head office in Geneva and branches in Lugano, Zurich and Guernsey Republic National Bank of New York (France) S.A.: Head office and 2 branches in Paris and 1 branch in Monaco Republic National Bank of New York (Luxembourg) S.A.: Head office in Luxembourg Republic National Bank of New York (Guernsey) Ltd.: Head office in St. Peter Port Republic National Bank of New York (Gibraltas) Ltd.: Head office in Gibraltar

Affiliate
Republic National Bank of New York in New York and 26 business centers around the world

BEDFORDSHIRE

The Financial Times proposes to publish this survey on: **20 OCTOBER 1989**

For a full editorial synopsis and dvertisement details, please confac **BACHEL FIDDIMORE**

Number One SEI 9HL

FINANCIAL TIMES



£300,000,000 Mortguged Backed iting Rate Notes due 2017

Notice is hereby given that a Principal Payment of £400 in respect of each Note will be nade on 4th August, 1989 resulting in a Principal Amount Outstanding of each Note of £99,600 for the following erest Period.

Payment the Pool Factor will be

MAES Funding No. 2 PLC 26th July, 1989



National distribution off to a good start

Substantial progress in two key areas — the deal with Whitbread to distribute nationally our flagship ale — Pedigree Bitter — has got off to a good start and our new Tavern Table catering concept has already led to improved contributions from our Managed Houses. Both achievements augur well for the future; the current year has started well. 3 Michael Hurdle Charrman

PRE-TAX PROFIT UP 15.3% to £14.93m (1988 £12.95m)

TURNOVER UP 8.1% to \$79.54m (1988 £73.55m)

EARNINGS PER SHARE UP 15.9% to 11.29p (1988 9.74p) **DIVIDENDS PER SHARE UP 15.9% to 3.36p** (1988 2.90p)

NET ASSETS PER SHARE UP 105% to 209p (1988 102p) Copies of the report and accounts are available from: The Secretary, Marston, Thompso Everched p.Lc., PO Box 26, Shobpall Road, Burton-on-Trenz DE14 2BW.

BREWERS OF TRADITIONAL BURTON-ON-TRENT BEERS



UK COMPANY NEWS

Government restrictions to be tested as French supplier would be major shareholder

Three statutory water companies plan merger

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THREE OF Britain's largest statutory water companies plan to merge, with the backing of France's higgest water

Valleys Water Committee, and share a water treatment works at Iver in Buckinghamshire.

Largest shareholder in the

supplier.

The proposals will be the rate proposals will be the subject of an automatic referral to the Monopolies and Mergers Commission. They will provide the first test case for the Government's restrictions on write comment's restrictions on writer comment's restrictions.

for the Government's restrictions on water company mergers, as the 10 public water authorities prepare for privatisation in the autumn.

The merged group — to be known as Three Valleys Water Services — could have a market capitalisation of as much as £100m and would be the UK's seventh largest water supplier. In terms of area covered and population supplied that would put the enlarged group ahead of four water authorities, which also deal with sewage disposal.

with sewage disposal.

Colne - Valley, Rickmansworth and Lee Valley water companies cover some 3,200 sq km to the north-east of London don, part of Thames Water Authority's area. They already co-operate through the Three

at Iver in Buckinghamshire.

Largest shareholder in the merged group would be Compagnie Générale des Eaux, the French water and construction company which already owns Lee Valley and three other staintory water companies. It could end up owning as much as 50 per cent of Three Valleys, because it also has stakes of 282 per cent and 16 per cent respectively in Colne Valley and Rickmansworth.

Full terms of the merger will not be announced until after the MMC reports on the proposals. The companies hope

posals. The companies hope the deal could be completed by

the end of the year.
The Government's restric-tions on bids for water companies with assets of more than £30m were introduced in January following a spate of take-overs by French water compa-nies. The measures were intended to protect the concept of "comparative competition", a central plank of the Govern-ment's privatisation of the 10 water authorities.

The deal could squeeze out one of Générale des Eaux's rivals, SAUR Water Services, a subsidiary of French construc-tion group Bouygues. SAUR, which owns four statutory water companies, first bought a stake in Rickmansworth two years ago with Trafalgar House.

Mr John Stansby, chairman of SAUR (UK), said yesterday that a merger between the Three Valleys companies had been SAUR's first intention in been SAUR's first intention in 1987. He said the French company would not be interested in retaining its investments if Générale des Eaux had control of the companies, but would try to extract the best deal from Three Valleys.

If the MMC passes the deal, the statutory companies plan to establish Three Valleys as a new public limited company which would then offer its shares in exchange for voting

shares in exchange for voting stock in the existing companies. Employees and customers should also be given the chance to invest in Three



James McGown (left), managing director of Lee Valley Water, and Robert Simpson, managing director of Colne Valley Water

Shares rise on strong start to year by Boots

By Maggle Urry Boots, the retail chemist and pharmaceutical group in the middle of an £800m takeover bid for Ward White, the do-it-yourself and autoparts retailer, presented a cheerful picture to shareholders at its

annual meeting yesterday, in contrast to the gloom else-where in the retail sector. Mr Robert Gunn, chairman said the first three months of the year had seen strong growth in both the retail and

pharmaceutical divisions. "The excellent progress of the retail division last year has been maintained during has been maintained during the first quarter of this year."
On a comparable basis he said retail sales were up by 11.2 per cent, or 12.5 per cent including the Underwoods stores which were acquired in January and have been converted to Boots stores.

Mr Gunn said that pharmsceutical sales were showing a 12 per cent increase, and in North America were over 15 per cent up. Applications to market Manoplax, a new drug for congestive heart failure, were being compiled for subwere being compiled for subbe sustained without Sally's enlarged group, if more than 51 mission during the current bostile 205p-a-share offer, said financial year, which sudd in the Ramsgate-Dunkirk ferry March.

Mr Kingshott has underwrit-

Correction Hypo-Bank

Bayerische Hypotheken und Wechsel-Bank has acquired an initial 25 per cent stake in Richard Ellis Financial Services, a newly-formed joint venture company, not a 5 per cent stake in Richard Ellis as stated in Thursday's Financial

Tranwood forming consortium fund

TRANWOOD, the USM-traded financial services group beaded by Mr Peter Earl, is setting up a limited partnership to invest in corporate reconstructions, turnarounds, but outs and the like

reconstructions, turnarounds, buy-outs and the like.

The fund, to be called the Tranwood Consortium Fund, is aiming to raise a maximum of £50m. According to Mr Earl, this will come largely from institutions in the UK, Europe and the US. Tranwood said yesterday. terday that commitments aiready top £20m, the mini-mum level required, and that it hopes to close the fund next

said Red Funnel Group, the Southampton-Isle of Wight ferry line, had "failed to address the key issues of con-cern to its shareholders" in its

The Southampton company had not justified its belief that

Red Funnel's share price could be sustained without Sally's

defence document.

Tranwood itself is commit-ting 12m to the fund, but — as general partner — will get a 20 per cent share of net profits achieved. It says that the fund puts on to a formal basis the type of "ad hoc" investment consortia deals which it has been involved with over the

past couple of years.

These have included buy-ins into small quoted companies, like Stonehill, and a number of property-based transactions, such a Selstree Studios.

Mrs. Selstree Studios. Mr Rarl yesterday declined to name institutions involved, saying that was a matter for the funds concerned. He added

Sally attacks Red Funnel defence

nel's earnings were threatened by competition and the impact of "long overdue capital invest-

Sally also revealed that Mr

Michael Kingshott, Sally's managing director, would be

left with a stake in the

SALLY UK Holdings yesterday Scandinavian shipping compa-said Red Funnel Group, the nies. Sally added that Red Fun-

P&S falls 8% in first quarter

Pre-tax profits of Portsmouth & Earnings worked through at 8p

Sunderland Newspapers fell by Sunderland Newspapers fell by (8.6p).

S per cent in the first quarter ended July 1 1989.

Turnover rose 15.5 per cent to £19.98m (£17.3m). But certain development costs were taken in the period and the profit fell to £1.65m (£1.8m).

Earnings worked through at 8p (8.6p).

This time there is an extraordinary gain of nearly £3.5m being the group's net profit following the distribution by the Press Association to its members of its shareholding in Reuters.

dozen institutions to come in, and that perhaps seven or eight deals might be expected The fund was announced as

that he expected around two

Tranwood unveiled interim profits before tax of £4.26m in the six months to end-June. This compares with just £456,000 in the same period a year earlier and £4.23m for the last full year. Trading income for the period was £5.12m.

Mr Earl said that there had been a first-time contribution from Tranwood Capital, the

ten up to 643,777 Red Funnel

shares. Others have been underwritten by an institu-tional syndicate led by Sally's

advisers, Tranwood Earl.
Sally intends to inject its
three subsidiaries — Port
Ramsgate, Sally Line and Sally
Leisure — into Red Funnel if
the bid is successful. It would

listing of Red Funnel, which

trades as Southampton Isle of Wight and South of England Royal Mail Steam Packet. • A

US court has rejected a second attempt by Sea Containers to

impose a preliminary injunc-tion on Stena and Tiphook's hostile \$824m bid for the ferry

and container company. The Washington DC district court first granted Sea Containers an

injunction last month, but it was almost immediately over-turned on appeal. The Stena/

Tiphook bid was extended to August 9 earlier this week.

accounted for just over £3m at the trading income level fol-lowing the sale of its interest in a rental apartment portfolio

The Ariel stockbroking business chipped in with a small profit. Net interest earned was \$2341,000 (£39,000).

The tax charge was £1.49m (£160,000) and fully-diluted earnings per share were 2.82p (0.4p). There is an interim dividend of 1p a share.

The company is also establishing a representative office in Paris, in addition to one in

£8.7m purchase for Polypipe

By Edward Sussman

Polypipe, the plastic plumbing and drainage systems maker, has agreed to buy Simco 281, a company set up to acquire the assets of Derwent MacDee, for an initial £8.7m.

Derwent MacDee, which sup-plies plastic tollet seats and related hardware, is a division of McKechnie, an engin and consumer goods group. Its net assets of £4.3m-includes \$2m in cash. The consideration is being satisfied by 6m new ordinary shares at 139p each in Polypipe. An additional \$360,000 in cash will also be

Polypipe is also acquiring certain manufacturing equip-ment and stock from McKechnie as part of the deal, which it intends to relocate to its new Doncaster facility.

Up to £220,000 of profit-re-lated consideration may be

Storehouse warns of interim profit fall

By Maggle Urry

SIR TERENCE Conran, chairman of Storehouse, the retail group, warned share-holders at the annual meeting yesterday of weakening sales and rising costs which would "inevitably have a seriously adverse effect on our results at the helf more contained."

the half way stage and, if present trends continue, will also impact the full year's profits".

The shares of the BhS, Habitat, Mothercare and Richards group slipped 2p to 143p yes-terday. Last year's results were affected by a £49.4m exceptional write-off, after exceptional write-off, after which pre-tax profits were £11.3m, compared with £114.9m the previous year. Earlier this month a possible offer for the company at 185p a share from Mr Asher Edelman, a US arbitrageur,

lapsed after the Takeover Panel fixed a deadline for a firm offer to be made. Store-house had refused to recom-mend the offer.

mem the offer.

Sir Terence, who said he was wearing "a BhS suit and humility" looked nervous and unhappy as he faced some tough questioning from the floor.

One shareholder asked whether it would not be better if the group was demerged as Mr Edelman had suggested. Mr Michael Julien, chief executive, said there were benefits for the group staying as it

Of the trading outlook Sir Terence said. I see little pros-pect of a change for the better for some time ahead. Trading in the first three months of this year has been very diffi-cult for our main UK busi-nesses." He said Habitat in France was trading strongly and the recovery at Richards,

the womens fashion chain, was being maintained. He said sales to date were broadly in line with last year. "However, since the beginning of June we, like other retailers, have experienced some further weakening as high interest rates bite deeper." He said the group had a strong balance sheet following the sale of some interests and it was being strengthened mana-orially gerially.

US expansion for **Bowthorpe Holdings** Bowthorpe Holdings is to acquire Switching Systems

International (SSI) of Placen-tia, California, US, for \$9.1m (£5.48m), plus deferred cash payments of not less than \$3.9m and not more than \$10.9m. Some \$900,000 of the initial payment will be held in escrow for 12 months.

SSI designs and makes open frame switchers for specialist computer and medical electronic equipment.

Pre-tax profits for the year to November 30 1988 were

Current climate is not favourable for Sock Shop

By Maggle Urry

SOCK SHOP, the niche retailer which came to the USM amid much enthusiasm in 1987, yesterday admitted that current trading was difficult in the warm weather, with interest rates high and with transport strikes affecting the 30 shops in railway and underground

stations.
Results for the 17 months to end February showed pre-tax profits at £4.32m on turnover of £44.4m. For the 12 months to end-February, pre-tax profits were £2.4m, slightly lower than the £2.5m made in the compa-rable 12 months. Sales were 62 per cent ahead at £32.2m.
The dividend for the 17 months totals 3p and earnings

per share were 12.3p.
Ms Sophie Mirman, chairman, said: "Our achievements under the current pressures of warm weather, strikes and high interest rates can only lead us to view the future with-

lead us to view the future without these obstacles with confidence."
Gearing is now more than
200 per cent with debt at the
February year end of £11.4m
compared to shareholders
funds of about £5.5m. Since
then, the company said, stock
levels had been reduced by
about £1m and there were
plans to cut gearing after plans to cut gearing after Christmas. The interest charge in the 17-month period was

£273,000. The group now has 136 shops, of which 103 are in the UK. At the end of February 1988 there were 67 shops.

The group said that sales white were said that sales were said that sales were said that sales white were said that sales were said that volumes were running at about

I per cent lower in like-for-like stores. Demand for tights had dwindled in the hot weather in and help out.

but the introduction of swimsuits had helped sales.

The UK stores made a profit in the 12 months of £3m (£2.6m) on sales of £28.8m (£19.6m) meaning that margins fell significantly. In Europe a profit of £69.000 was made.

profit of £69,000 was made. In the US a loss of £677,000 was incurred, despite earlier hopes that by now the business would be breaking even. A number of the shops in Man-hattan had been subject to armed robberies, and the group said, hiring armed guards cost \$1,000 dollars per week per store. Some of the New York stores may be closed and new ones opened in more secure regional shopping malls.

Sock Shop's story is a fairy tale which looks increasingly likely to have an unhappy ending. The group has expanded at a much faster rate than it could finance and the effect of high interest rates must be to cut profits this year, barring a miracle at Christmas. The company is having to compromise on its trading philosophies.
Franchising had been a dirty
word with Sock Shop, but now
it is being considered as a way
forward. Old ideas of sticking to the niche of hosiery are being diluted by other prod-ucts, even if those have been in the short term the main prop to sales. The disasters in the US should have been avoided if sufficient research had been done first. The shares, which rose 1p to 104p yesterday, are not being rated on fundamen-tals but the prospect that a larger friend will have to step

Tilbury to develop Peugeot Talbot site at Linwood

TILBURY GROUP, which is fighting an unwelcome £126m bid from Lilley, fellow construction group, has won planstruction group, has won plan-ning permission to develop 285 acres of the former Peugeot Talbot car plant at Linwood

near Glasgow.
Tilbury said it had completed the purchase of the free-bold of the entire 350-acre Linwood plant from Peugeot Talbot for £6.1m. The book value of the site, including previously incurred costs, was

Outline planning permission had been granted for a 100,000 sq ft superstore plus 130,000 sq ft of other retail space; a 70,000

Hill & Smith ahead

ment and 20 acres for housing. Tilbury said Asda Group had agreed to become the anchor

reteiler and would purchase 15
acres of the site for the £11m
superstore of 100,000 sq ft.
Mr Mike Bottjer, Tilbury's
chief executive said: "Linwood
is one of the most prestigious property developments in Scot-land. We are determined Til-

strong mana team should continue to advance unaided and that Til-bury shall not be sold on the

Hill & Smith Holdings raised its pre-tax profits from £2.39m to £2.36m for the six months ended March 31. Turnover rose by £3.65m to £27.65m.

Earnings amounted to 9.49p (7.94p) and the interim dividend is being lifted from an adjusted 1.29p to 1.75p.

Newgateway holds 40% of Gateway

Newgateway, the losing bidder in the £2bn-plus battle for control of Gateway, is continuing to nudge up its stake in the food retail chain. It has acquired a further 471,000 shares taking its total to 356.2m shares(40 per cent).

Ladbroke gets go ahead By John Ridding



THE BRITISH LAND COMPANY PLC

£250 Million

Multi-currency Commercial Paper Programme

The Royal Bank of Canada

Barclays de Zoete Wedd Limited **Credit Suisse First Boston Limited** NatWest Capital Markets Limited The Roya! Bank of Canada

National Westminster Bank PLC

for £200m development

LADBROKE GROUP, the hotel, betting and property company, yesterday announced that it had been selected by Brighton Borough Council and the British Rail property board to develop a large new office and shopping scheme in the town

The development, which will have a total development cost of £200m, is Ladbroke's largest

ever in the UK and follows the acquisition earlier this week of its largest US

The scheme, which comprises 473,000 sq ft of offices and 100,000 sq ft of shop, will be owned outright by Ladbroke and developed on the basis of a 150-year lease.

Wyncote Developments, a

local developer, has a profit-related interest in the scheme.

Mr Cyril Stein, Ladbroke's chairman, said: "Ladbroke and Wyncote confidently expect the office development and superstore to be pre-let."

Globe Trust nav up 6.5%

By Nikki Talt

GLOBE INVESTMENT Trust, Britain's largest investment trust with net assets topping 21.1hn, yesterday amounced a 6.54 per cent increase in net assets during the first quarter

Net assets per share, on a fully diluted basis, rose from 205.14p to 218.53p during the three months to end-June. This easily outstripped the 2.37 per

cent rise in the FT-All Share Index during the same period.

The trust showed a pre-tax

profit of £7.4m in the first three months, and earnings per share (fully diluted) of 1p. The group's net assets, after the elimination of retained profit, stood at £1.17bn at end-June, compared with £1.1bn at end-

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Automated Secint	1.5	Nov 10	0.96	-	2.7
Bank Leumi (UK)int	4.52	Sept 22	4.1	-	13.5
Bredero Propsint	24	Nov 10	2	-	6
Derby Trustint	6.518	Aug 31	5.059	-	11.882
HUT & Smithint	1.75	-	1.292*	-	4.167°
ICIInt	21	Oct 2	18	-	50
Jacobs (John)int	1.5	-	1.5	-	4.3
Jacques Vert §fin		-	8.5	11.58	8.5
Kode int'lint	2.5	Aug 25	5	-	10
Leads Leisure ∫	1	-	0.5	-	2
Sock Shopfin	1	Sept 14	0.8	3☆	0.8
Tranwood 5int	1	Oct 6	-	-	1.5
Wace Groupint	1.79 1	Sept 4	. 1.25	-	4
Yeoman inv Trstint	5	-	4.3	-	10.8

Yeoman inv Trst ___int 5 Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. 1On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. •Third market. XFor 15 months. ‡Carries scrip option. ±For 17 months.



THE BRITISH LAND COMPANY PLC

F.C.S. CURRENCY MANAGEMENT LIMITED

£250 Million **Revolving Credit Facility**

The Royal Bank of Canada

National Westminster Bank PLC as Lead Managers and Arrangers

The Fuji Bank, Limited as Lead Manager

Credit Suisse The Mitsui Bank, Limited The Sanwa Bank, Limited The Taiyo Kobe Bank, Limited The Mitsubishi Bank, Limited The Royal Bank of Scotland pic The Sumitomo Bank Limited The Tokai Bank, Limited

as Managers

Banca Nazionale del Lavoro, Leaden Branck Banco di Santo Spirito, Loadea Branch Bank of America NT & SA Bayerische Hypotheken- und Wechsel-Bank Aktiengeseilschaft Credit Commercial de France, London Branch The Mitsubishi Trust and Banking Corporation

The Nikko Bank (UK) plc

Banco di Roma, London Branch Banco di Sicilia, London Branch The Bank of Tokyo, Ltd. Commonwealth Bank of Australia

The Kyowa Bank, Ltd. National Bank of Abu Dhabi The Toyo Trust and Banking Company, Limited

The Royal Bank of Canada

as Co-Managers

May 1989

1918 "Taisho Marine" 1989



During the business year under review, the Japanese economy has continued to expand steadily. This has been fueled mainly by domestic demand, especially the strong increase in personal consumption and the growth in private ector capital investment

It was in this favourable environment founding of our company in October of last year. We have striven continuously to expand the scope of our business, as well as to achieve increased managerial efficiency. Thanks to these ef-

forts and to the support that we have received from all of you, the Com-pany was able to achieve the kind of superb results shown elsewhere herein. We are, as ever, grateful for your kind support, without which these results could not have been achieved.

In the coming period, even though there are some sources of concern, the expansion of the Japanese economy is expected to continue to be sustained by strong private sector capital investment and personal consumption, that is, by domestic demand. The business environment of the non-life insurance business is in the process of significant chang which include the measures taken by the Japanese government to liberalise some of the restrictions on financial activities and to internationalise these activities, the development of the highly advanced information society and the approach of the so-called "aged society".

In order to respond to these changes in the social and business environment, as well as to effectively meet the broad and diverse range of needs of our customers the Company will strive actively to develop new products, to expand and improve its sales network and claim handling systems and to strengthen its investment capabilities. At the same time, the Company intends to achieve a higher level of efficiency in business, so as to further strengthen its corporate structure.

Moreover, from a medium and long-term perspective, in April of this year, the Company launched a company-wide campaign named "ACCESS 21" which will enable the Company to be an enterprise adaptable to the society of the 21st century.

We look forward very much to your continued co-operation and support in the future. Current Year Results

To improve services in keeping with the customers' increasingly more diversified needs, the Company released such new products as Personal Accident Insurance with Maturity Refund "Shiawase 70" (developed in commemoration of the Company's 70th anniversary), Comprehensive Insurance with Maturity Refund for the younger generation "New Age 21" and Asset Formation Insurance. While striving to offer improved customer services including efforts to aid medium-sized enterprises in their comprehensive business activities and to improve its 24-hour claim handling system and so on, the Company expanded its sales network and service system by enhancing its business network geographically, strengthening its agencies and relining its claim handling system. In addition, the Company made advances towards the betterment of its information system in order to cope with the highly advanced information society while improving efficiency in its asset management by strengthening personnel and organisation of the investment department and the establishment of an investment advisory company in England with a view to responding to growing internationalisation.

Furthermore, in order to be prepared for possible changes in the in-dustrial climate, the Company has established "Taisho Research Institute Company, Ltd." to conduct study and research on various factors pertaining to the economic environments and trends affecting the insur-

In the overseas insurance market which basically still remains under stringent conditions, the Comp

As a result of the Company's efforts towards improved performance as reflected in the measures described above, the Company was able to achieve the following results, surpassing those of the previous period.

Total net premiums written in all lines of business amounted to \$3,032,189 thousand, a 7.8% increase over the previous period, total assets increased by \$4,739, 152 thousand to \$26,332,591 thousand and net income for the year was \$257,447 thousand.

Although the Company continued to strengthen the foundations of its operations in this area, net premiums written in this category decreased by 13.1% from the previous period because of a reduction in in-surance premium rates. Loss and loss adjustment ratio was higher than

Cargo & Transit Net premiums written increased steadily, up 8.1%, owing to the Company's continued efforts to strengthen its business base. Loss and loss adjustment ratio was higher than that of the previous period. Fire and Allied Lines

Partial Rate reductions were effected for factory properties, but the Company continued to exploit various potential needs for insurance in the positive market trend, centring around Long-Term Comprehensive Insurance with Maturity Refund, Householder's Comprehensive Insurance and Storekeeper's Comprehensive Insurance. Net premiums written increased by 4.7% from the preceding period. Loss and loss adjustment ratio was lower than that of the preceding term.

As a result of the Company's active efforts devoted to sales of such products as Long-Term Personal Accident Insurance with Maturity Refund and Personal Accident Insurance, net premiums written increased by 7.2% from the preceding term. Loss and loss adjustment ratio was er than that of the previous period.

In accordance with favourable trends in new car sales, the Company continued to centre its sales activities in this area around the Private Automobile Policy and net premiums written showed an 11.1% increase over the previous period. Loss and loss adjustment ratio was higher than

that of the previous period. Compulsory Automobile Liability As a result of expansion and reinforcement of the sales network and development of sales activity, the net premiums written increased 7.0%

compared to the previous term. Loss and loss adjustment ratio was lower than that of the previous term. As a result of increased premiums in Liability Insurance and Movable Comprehensive All Risks Insurance, net premiums written in this cate-

gory increased by 7.1% from the preceding term. Loss and loss adjust-ment ratio was higher than that of the previous period. Overseas Business Overall conditions in the overseas insurance market have continued

to be difficult and the Company therefore took a cautious approach in

On the other hand, in view of the efforts by Japanese companies to expand into overseas markets, the Company strove to provide global insurance services. The inauguration of operation of the U.S. subsidiary is at the forefront of the Company's efforts to strengthen its business structure and to improve progress towards internationalisation.

With due consideration for continuing low interest rates, the Compamy pursued a diversified and efficiency-oriented assets investment policy, centring around securities. Also, as a result of an increase in realestate rents due to the opening for business of the annex to the headquarters building, investment income, net of investment expenses, amounted to \$301,856 thousand, an increase of \$65,046 thousand over

stringent conditions, the Company took steps	to strengther	its overseas	the previous period.		
********************************	BALANCE	SHEET (as of 31st March, 1989) 🖈 ***********************************		
Assets	(Dollars in	thousands)	Liabilities and Stockhelders' Equity	(Dollars in	thousan
	1989	1988		1989	19
Investments	\$23,033,917	18,594,833	Losses and claims	\$1,045,773	1,009,0
Cash and cash items	826,970	629,894	Unearned premiums	1,843,568	1,684,7
Net premiums receivable		•	Investment deposits by policyholders	7,384,220	5,874,5
and agents' balances	429,045	532,955	Accrued income taxes	6,625,189	5,168,2
Property and equipment,	-	-	Other liabilities	983,629	1,034,8
net of depreciation	787,500	766,424	Stockholders' equity	8,450,212	6,821,9
Deferred policy acquisition costs	502,530	446,735			
Other assets	752,629	622,598			
Total	\$26,332,591	21,593,439	Total	\$26,332,591	21,593,4



TAISHO MARINE AND FIRE INSURANCE COMPANY, LIMITED

TOKYO, JAPAN

The annual report will be available at Hambros Bank and our London Liaison Office.



Rustenburg Platinum Holdings Limited Reg. No. 05/22452/06

Lebowa Platinum **Mines Limited**

Reg. No. 63/06144/06

(Both companies incorporated in the Republic of South Africa)

Highlights from the Preliminary Reports for the year ended 30 June, 1989

(Audited)

Rustenburg Platinum	1989 Rm	1988 Rm	
Gross sales revenue	2,931.5	2,366.9	
Profit before taxation	1,440.5	979.6	
Distributable profit for period	595.7	384.5	
Ordinary dividends	376.0	275.7	
Capital expenditure	239.4	275.9	
Earnings per share (cents)	475.4	306.9	
Dividends per share (cents)	300.0	220.0	

Lebowa Platinum	1989 Rm	1988 Rm	
Gross sales revenue	68.5	52.4	
Profit before taxation	28.7	17.8	
Distributable profit for period	23.7	14.8	
Ordinary dividends	9.0	5.2	
Capital expenditure	83.6	14.6	
Earnings per share (cents)	19.8	17.2	
Dividends per share (cents)	7.5	6.0	

Final dividends have been declared payable by both companies to shareholders registered at the close of business on 11 August 1989. Date of payment of dividend warrants will be 8 September 1989. (Currency conversion date 21 August 1989.)

27 July 1989

The full text of the Preliminary Reports will be posted to shareholders and copies may be obtained from the London Secretaries, Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

UK COMPANY NEWS

Organic growth helps Wace double to £8.24m

By John Thornhill

WACE GROUP, the pre-press services company, more than doubled pre-tax profits to £8.24m in the half-year to June 30. In the corresponding period, Wace made £3.44m, although this was restated to include subsequent acquisitions included on a merger-ac-

tions included on a merger-ac-counting basis.

Mr John Clegg, managing director, said that all the group's divisions were operat-ing very profitably and the majority of the growth during the period had been organic.

Turnover vaulted dramatic-ally to £72.51m (£27m ally to £72.51m (£27m - restated). An interim dividend

of 1.75p (1.25p) was declared -an increase of 40 per cent and earnings per share grew by 60 per cent to 11.2p (7p).

Techtron, the US pre-press services company bought last September, contributed £1.8m to profits. Mr Clegg said the margins in the business had been steadily improving from the 8.7 per cent at the time of the acquisition to 10 to 12 per cent in the current year. By next year it is hoped this will rise to the 14 per cent achieved in the UK.

Mr Clegg said the second half of the year might be more active in terms of acquisitions, particularly in continental Europe. Several possible acqui-sitions were under review.

A purpose-built manufactur-ing premises and head office is being built at Shepherdess Walk in London. Wace intends to move into these buildings by the end of the year and expects this will enhance operating

Wace appointed another non-executive director to the board in May and is planning to strenghten the company's management further.

COMMENT

The stock market is seemingly becoming inured to Wace's remarkable progress and is beginning to treat the outstanding as merely common-place. The shares slipped 9p on these results to 422p, which on the face of it seems rather surprising - although it can per-haps be justified by the strong

company stresses, there is still enormous market share to aim less than 1 per cent of the total market. This particular period

rise that preceded the rise that preceded the announcement of the results. Wace's recipe of both mixing and matching businesses in the pre-press and printing areas and also consolidating a highly fragmented market has proved to be most successful. But, the company stresses there is still for - Wace claims to be the world leader in pre-press ser-vices but estimates that it has was characterised by strong organic growth and was, by Wace's standards, a time of quiet consolidation — only six

acquisitions were made. But more purchases look on the way, boosting what is tradiway, boosting what is tradi-tionally a firmer second half. Pre-tax profits may climb to over £19m, putting Wace on a prospective multiple of about 17. That still represents fair value for a company with such promising potential and Wace will offer better yet if the shares temporarily dip further after the results' announcement as they have in the past.

Oceonics back in the black

A SOMEWHAT better-thanexpected second half pushed up profits at Oceonics Group to £876,000 for the year ended March 31 1989, compared with a loss of £1.97m previously. The group also sustained losses in 1985-86 and 1986-87

totalling £12.78m. Turnover last year expanded to £21.87m (£16.75m), from

which an operating profit of £628,000 was earned (loss £1.53m). There was net interest receivable of £152,000 (payable £393,000). Earnings per share came to 0.3p (losses 6p).

Turnover in survey and posi-tioning rose to £16.75m while the operating profit, before corporate overheads, was £2.02m (loss £865,000). Costs were

reduced allowing more business to be done with six fewer offices and major investments were made in new hardware and systems. Sales of computers and networks rose 13 per cent to £5.12m and the operating loss was £633,000 (profit £43,000) before corporate overheads but after development expenses of £850,000 (£550,000).

P&O pays £25m for property company

chi

e de Pail

By Edward Susaman

P&O, the shipping and property group, is to buy Crowngap Limited, a property development and investment company, for consideration of up to £25.4m.

Co-operative Wholesale Society, which holds one-third of Crowngap, operates a number of joint developments in the south of the UK with the company. It said yesterday that those ventures would con-tinue. CWS, the manufacturing and wholesaling arm of the Co-op retail movement, said it was disposing of its stake because Crowngate's activities did not fit in with mainstream of CWS's

operations.

Another third of Crowngap is held by Royal Insurance and the bulk of the remainder is believed to be held by Crown-gap co-founder Mr Roy Wright. The company was founded in 1976 by Mr Wright and Mr Ray Corser. It formed a link with Royal Insurance in 1985 and has been backed by CWS since its creation. P&O said Crowngap's net

assets were roughly equal to the purchase price but did not provide details. No profit or turnover figures for Crowngap were released. P&O plans to retain the present manage-

Of the initial £17.5m to be paid, £7.4m will be in cash. The balance is to be paid in P&O deferred stock. An additional £7.9m payont is linked to the performance of ongoing development projects.

Control Techniques share

price closed down 1p at 233p

Control Techniques rights and acquisition

trol products.

CONTROL TECHNIQUES, manufacturer of electronic variable speed drives, yesterday announced a £9.4m, onefor three rights issue, part of which will finance the acquisition of Moore Reed, the electro-mechanical components subsidiary of Kode International.

Kode, which will receive a total of approximately £3.8m, is selling the subsidiary following continued group losses.

The company yesterday announced pre-tax losses of £227,000 for the six months to the end of June, compared with pre-tax profits of £791,000 in the comparable

However, Mr Stephen Day, chief executive said that this reflected an improvement over the second half of last year when losses of £382,000 were the seed's dependence on the defence industry, which is suffering reduced spending. Control Techniques said that it intended to reduce the seed's dependence on the seed's defence industry, which is suffering reduced to the seed's defence industry, which is suffering reduced to the seed's defence industry, which is suffering reduced to the seed's defence industry.

He said that the proceeds of the sale would be used to eliminate group borrowings and said that Moore Reed is comthat the company was now plementary to its existing

PRIESKA COPPER

MINES LIMITED

Reg. No. 68/03032/07 Incorporated in the Republic of South Africa

Anglovaal Group Company

Declaration of Final Ordinary Dividend No.11

The following final dividend has been declared for the year ended 30

Final ordinary dividend No.11 of 15.6796 cents per ordinary share. The dividend has been declared payable to members registered in the books of the Company at the close of business on Monday, 14 August

1989.
The dividend is payable subject to conditions which can be inspected at Anglovaal House, 58 Main Street, Johannesburg.
Warrants in payment of the dividend will be posted on or about 16 August 1989.

Directors: D.J. Crow (Ghairman), R.P. Fitton, C.C. Gedeon, B.E. Hersov D.M.S., D.A. Lynch, Clive S. Menell, D.J. Pedneault, R.A.D. Wilson.

Directors: J.J. Geldenhuys, D.A. Blaine, A.J. Brink, G.J. Robertze

focussing on its core, higher margin businesses. In the first half of the current year, the losses included an exceptional charge of £175,000 and continued tight margins in its computer hardware distribution

The loss per share was 2.7p, compared with earnings of 8.9p and the dividend has been halved from 5p to 2.5p per

Moore Reed, which reported pre-tax profits of £256,000 in the twelve months to the end of December only just broke even in the first half of the

current year.
This result reflected its relithis sector.

Mr Trevor Wheatley, chairman of Control Techniques,

Anglovaal House 56 Main Street

The balance of the rights issue, which is being priced at

operations and will bring an

additional range of motion con-

yesterday, helped by a state-ment from the company that current trading is buoyant and 195p per share, will be used to increase working capital, reduce group debts and meet deferred acquisition payments totalling about that pre-tax profits for the year to the end of would not be less than £4m, compared with £2.69m last year.

NOTICE **NEW SOUTH WALES TREASURY CORPORATION**

A\$150,000,000
12.5% Guaranteed Exchangeable Bonds due 1993
changeable into New South Wales Treasury Corporation
Inscribed Stock 12.5% due May 1993
payment of principal and interest guaranteed by

Notice is hereby given to the holders of the above Bonds that, at the Adjourned Meeting of such holders convened by the Notice of Adjourned Meeting published in the Financial Times on 7th July, 1989 and held at 10.00 a.m. (London time) on 21st July, 1989, the Extraordinary Resolution set out in such Notice was duly passed. Accordingly the modifications to the Supplemental Agreement (including the Second Schedule thereto) and the temporary Global Bond, each referred to in such Notice, have been made with effect from 21st July, 1989 by means of supplemental deeds of the same date.

A copy of the Notice of Adjourned Meeting setting out the Extraordinary Resolution which was passed at the Adjourned Meeting is available for inspection at the offices of the Paying Agents set out below.

Fiscal and Paying Agent Bankers Trust Company, I Appold Street, London EC2A 2HE,

Paying Agents Bankers Trust Luxembourg S.A., P.O. Box 807, 14 Boulevard F.D. Roosevelt, L-2450 Luxembourg.

Swiss Bank Corporation, i Aeschenvorstadt, CH-4002 Basie,

NEW SOUTH WALES TREASURY CORPORATION 28th July, 1989.

GT INTERNATIONAL BOND FUND SICAV 2, boulevard Royal

L - 2953 LUXEMBOURG

The GT international Bond Fund will pay on July 31, 1989 a dividend of 30 cents per abare to each share outstanding at close of business on July 21, 1989. Shares will be traded ex-dividend as from July 24, 1989.

Dividend chrques will be mailed to registered shareholden

Bearer shareholders will have to present coupon another 2 to Banque Internationale à Luxembourg, 2, boulevard Royal, L. - 2953 Luxembourg in order la collect the dividend. By order of the Board of Director

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange and appears as a rnater of record only. It does not constitute an offer or invitation to subscribe for or purchase any securities of the Company. This advertisement has been approved for the purposes of Section 57 of the Financial Services Act 1986 by Brewin Dolphin & Co. Ltd. members of The Stock Exchange and The Securities Association.

SLEEPY KIDS PLC (Incorporated in England under the Companies Act 1985) (Registered No. 2402919) Placing by

BREWIN DOLPHIN & CO. LTD. of 7,000,000 Ordinary Shares of Speach at 20p per share SHARE CAPITAL

in Ordinary Shares of Sp

Issued and to be issued fully paid £1,000,000

患

The business of Skeepy Kids PLC ("the Company") and its subsidiary is that of the creation and development of characters and storylines capable of being used in the production of animated television series, the licensing of such of licences over the intellectual property rights in the characters. Application has been made to the Council of The International Stock Exchange for the grant of permission for the Ordinary Shares of the Company to be traded on the Third Market. Subject to the granting of permission, dealings in the Ordinary Shares of the Company are expected to commence on 31st July, 1989. It is emphasised that no application has been made for these shares to be admitted to the Official List nor for permission to deal in these securities in the Unlisted Securities Market.

Transactions in the Ordinary Shares of the Company will be effected in accordance with the rules and regulations governing the Third Market of The International Stock Exchange. This investment may carry a high degree of risk. Particulars relating to the Company are available in the Extel Financial Third Market Service and copies may be Particulars relating to the Company are available in the taken runanean a find market service and copies may obtained during normal business hours on any weekday (Saturdays and Bank Holidays excepted) up to and inclu-11th August, 1989 from:

BREWIN DOLPHIN & CO. LTD. 5 Giltsput Street London EC1A 9DE

28th July, 1989

EUROPEENNE A NEUTRONS RAPIDES S.A. - NERSA FRF 400.000.000 Guaranteed Floating Rate Notes due 1997

For the three months, July 27, 1989 to October 26, 1989, the rate of interest has been fixed at 9.225% P.A. The interest due on October 27, 1989 against coupon or 2 will be for the denomination FRF 20000, FRF 47,50 and for the denomination FRF 100,000,

CENTRALE NUCLEARE

The Principal Paying Agent SOCKETE GENERALE ALSACIENNE DE BANQUE 16, OKRUSE EMIS FROUTE LUXEMBOURG LUXEMBOURG

denomination FRF 100.030, FRF 2.357,50 and has been

E1,344,000,000 Smillhötine Beeckern PLC ing Rate Unsecuted Loen Stock due 1992

Interest amount per £100,000

UK COMPANY NEWS

BT chief's rise criticised as 'morally unacceptable'

By Hugo Dixon

MR IAIN Vallance, chairman of British Telecom, has become the latest top British executive to face the wrath of shareholders for being awarded a large increase in his salary.

increase in his salary.

The criticism at the company's annual meeting in Birmingham yesterday comes amid the controversy about the size of the remuneration that Lord King has received this year as chairman of British Airways and FKI Babcock.

Mr Vallance's pay in the year to the end of March increased £57,000 to £283,000. This rise was described as morally unacceptable by Mr Melville Jones, a BT shareholder.

Mr Jones said there was an inconsistency between Mr Vall-

inconsistency between Mr Vall-ance's receiving such a hike in the same year that employees received £8m less from the company's profit share scheme. He also argued that BT direc-tors should be setting an example at a time when the Govern-ment was exhorting industry to keep pay rises to the mini-

ACHESTION

Mr John Raisman, BT's dep-uty chairman, defended Mr Vallance's pay rise by pointing

Yorkshire Bank

YORKSHIRE BANK, the small clearing bank based in Leeds which is jointly owned by the "Big Four" clearers, announced pre-tax profits of £58m for the city months and in Irwa 20

the six months ending June 30, an increase of 20.3 per cent on the same period last year.

Total assets rose by 14.9 per cent during the half year to reach £3.66bn. Net interest income was £33.8m compared to £3.7m in the first half of

to £81.7m in the first half of

last year. Lending to busi-nesses and personal lending were both said to be well up.

During the first six months of this year, Yorkshire Bank launched Yorkshire Bank

Development Capital, a new subsidiary, which Mr David Mortimer, controller for mar-keting, said had got off to a

flying start by negotiating a substantial buy-out deal for Parkside Flexible Packaging.

improves 20%

to £58m By David Barchard out that most of it reflected his promotion from chief executive executive chairman. Only £22,000 of the increase was his annual pay rise, corresponding

to an increase of 8.4 per cent.
"I don't think that can be regarded as unreasonable," Mr Raisman said. "Nor do I regard his total salary as unreasonable. He is by no means in the ton league" top league."
Mr Vallance explained that the employee profit share scheme had been cut from £38m to £30m because "performance was not as good as we would have wished". However, he contended that there was no

moral conflict in his pay going up at the same time because "profit sharing and remuneration are completely separate Mr Vallance ran into a bar-rage of criticism on numerous other issues from shareholders in what was the company's

fifth annual meeting. However, only 630 shareholders turned out, compared with over 1,000 last year and many more in the first years after privatication.

One of the most serious criti-

GALLAHER, the international group with interests in tobacco, optics, retail distribution and housewares, raised its profits by £6.8m to £119.5m pre-tax for the first six months

of 1989.
Sales for the period improved from £1.94bn to £2.05bn, excluding VAT, and at the trading level profits were ahead by some 18 per cent to

£134.7m. Interest costs of £15.2m (£1.9m) included a charge of £12.8m relating to an exceptional cash dividend paid at the end of 1988.

Trading profits of the tobacco division surged from £92.9m to £119.9m on the back of a £95m rise in sales to £1.58m. In the UK the division

£1.58bn. In the UK the division

strengthened its leading posi-tion in cigarettes and increased both market share andvolume.

£134.7m.

cisms came from Ms Eleri Car-rog, who accused BT of dis-criminating against the Welsh language by using only English in its phone directories, bills, operator inquiries and other services. Unless BT implemented a proper bilingual policy for its Welsh customers and shareholders, the company should change its name to English Telecom and Wales should have its own Telecom

Mr Vallance promised to consider setting up a special panel to look at these ques-

Cymru

Tobacco surge boosts

Gallaher to £119.5m

He also took advantage of the meeting to renew his attack on the Government for discriminating against BT in favour of its competitors. He was particularly incensed that Mercury Communications had been promised one of the UK's new mobile phone licences while BT had been prevented from applying.

Meanwhile, he described as totally illogical the Labour Party's plan to take BT back into state control should it win

Trading profits of the over-seas tobacco companies were

The directors said the optics division, where trading profits fell from £8.9m to £6.1m, had

been affected by the twin blows of VAT and, for most people, the abolition of free

Turnover here improved

Within a scheme of reorgani-sation, management control of the office products companies has been transferred to a fel-

low subsidiary of the group's parent, American Brands, and

the division's sales for the

It is expected that legal own-ership will be transferred dur-

from £96.7m to £110.6m.

also well ahead.

sight tests.

Bank Leumi UK profits jump

Leumi (UK) continued its growth and showed a substantial increase in

After tax and transfer to

Bredero up 33% and calls for £42.4m

BREDERO PROPERTIES, the development group which spe-cialises in town-centre retailing, announced a four-for-five rights issue to raise £42.4m. At the same time Bredero, which is 52.07 per cent-owned by Slough Estates, said its pre-tax profits for the six months to June 30 increased 33 per cent to £2.57m (£1.98m) as turnover rose 69 per cent to £2.67m (£1.98m).

as turnover rose 69 per cent to £24.7m (£14.7m). Earnings per share were up 23 per cent to 9.6p (7.8p). An interim dividend of 2.4p (2p) was proposed.

Mr Peter Badcock, finance director, said that the proceeds will be used to retain substantial interests in ongoing and future development projects. These include the Bon Accord centre, the biggest retail venture in Aberdeen; retail developments in Paisley and Fleet; and Centre West in Hammersmith. The exact stakes to be smith. The exact stakes to be retained have not been deter-

Slough Estates is underwriting the issue and said it has fully subscribed for the 8.4m shares it is entitled to at 265p

shares it is entitled to at 265p per share. Bredero was down 20p at 305p yesterday.

Bredero, which won a stock market listing in June 1986, said its development programme exceeded £500m from £200m at the time of flotation.

Major retailing centres in Glasgow, Southampton, Solihull and Sheffield are being planned.

In the first half of 1989 Bank

After tax and transfer to inner reserves the disclosed net profit rose 67 per cent, from £810,000 to £1.35m. That followed a 37 per cent lift to £2.63m in profit for the whole of 1982

period of £71.1m and trading profits of £5.7m havebeen excluded from the results. of 1988.

The interim dividend is raised from 4.1p to 4.5p per share, at a cost of £304,000 (£268,000). There is again a scrip alternative. ing the current year by means of a special dividend.



Sir Denys Henderson (above), chairman of Imperial Chemical Industries, the UK's biggest chemical company, handling ques-tions at the first conference it has ever called on the occasion of

its interim, rather than full-year, results.

The company is widely viewed as an economic barometer, so it was not surprising to find the assembled journalists and analysts seizing the occasion to quiz Sir Denys on the company's view of the world economy. However, Sir Denys was careful not to commit himself.

When asked whether he expected a soft or a hard landing, he said: "We think it will be some way between the two. But

nobody really knows."

He did not expect a repeat of the recession of the early 1980's, but added: "It is too early to say at this stage. We do not think we will have real certainty until after the summer break."

Gibb & Partners to merge with US consultant engineer

By Andrew Taylor, Construction Correspondent

SIR ALEXANDER Gibb & Partners, one of Britain's largest consulting engineers, is to merge with Law Companies Group, a US engineering consultant, to create a worldwide business with a turnover of more than \$140m.

more than £140m.

The combined business would have its headquarters in would become a private limited company rather than a part-nership. It would continue to operate from its Reading head-quarters and maintain its British identity, according to Gibb.
Mr Geoff Coates, Gibb's
senior partner, said the merger and becoming a private limited company would provide greater access to resources to expand. "I am convinced Gibb's future lies in a larger and more powerful grouping and will enable the firm to operate from a very strong financial base."

The combined group would employ 3,400 staff making it one of the world's largest con-

sulting engineers.

Law Companies Group is based in Atlanta, Georgia specialising in geotechnical and materials engineering, construction and environmental services and is 100 per cont services and is 100 per cent

employee owned. It had revenues last year of \$120m making it the 31st largest consulting engineer in the US according to Engineering News Record, the US engineering magazine.
It is the third large merger

involving British consulting engineers to be announced in the last two years. Mott Hay & Anderson and Sir M. MacDonald announced they were merging in January while Freeman Fox and John Taylor merged in 1987 to exect Ages Care.

1987 to create Acer Group.

British engineering consultants, concerned at the way international contractors have been winning a growing share of project management work, have been seeking to increase their own range of skills and financial muscle by merging

with other operations.

This is particularly important if consultants are to play a bigger role in promoting pri-vately-financed infrastructure projects. Mott MacDonald for example has been considering taking small equity stakes to get projects in Malaysia and Indonesia off the ground.

Law Group hopes to expand its international work particularly in Europe and Africa where Gibb is strong.

1989 First Half Year Results



ICI sets another new record.

Group profit before tax of £925m in the first half of 1989 as another new record for ICI, being £142m above the first half of 1988. The 18% increase was the result of good performance by most of ICI's main businesses.

Fig	st Half 1989 £m	First Half 1988 £m	Percentage Increase
Turnover	6,642	5,867	13%
Profit before taxation	925	<i>7</i> 83	18%
Earnings per £1 Ordinary Share	82.0p	69.3p	18%
Interim dividend per £1 Ordinary Share	21.0p	18.0p	

A summarised profit and loss account is given in the second table following.

In the first half of 1989, turnover increased by 13% compared with the same period in 1988 as a result of a combination of higher sales volume (4%), increased local

selling prices (6%) and favourable exchange effects (3%).

In the Consumer and Specialty Products segment, trading profit increased by £9m to £302m. Pharmaceuticals profit improved substantially and both polyurethanes and specialty chemicals performed well; however, these benefits were partially offset by pressure on margins in paints and continuing difficult conditions in films.

In the Industrial Products segment, trading profit increased by £94m to £445m. Continued strong demand and generally tight supply helped general chemicals and petrochemicals and plastics to achieve a significant improvement over the first half of 1988.

In the Agriculture segment, trading profit increased by £52m to £158m. Agrochemicals had a strong half year, particularly in the USA. Fertilizers have now returned to modest profitability despite current weakness in some

Second Quarter

Group profit before tax in the second quarter of 1989 of £483m was £41m higher than the first quarter, with the increase largely representing disposal gains arising from the sale of Coopers Animal Health and rationalisation in

The following table provides quarterly financial highlights for 1988 and for the first two quarters of 1989.

	Turnover	Profit Before Tax	Earnings per£1 Ordinary Share
1988	£m	£m	pence
ist Quarter	2,937	358	31.5
2nd Quarter	2,930	425	37.8
3rd Quarter	2,840	347	30.4
4th Quarter	2,992	340	30.0
Year	11,699	1,470	129.7
1989 Ist Quarter	3,210	442	39.2
2nd Quarter	3,432	483	42.8

The tax charge for the first half of the year amounted to £332m (first half 1988 £290m), comprising UK corporation tax of £123m (£113m) and taxation in respect of overseas and related companies of £209m (£177m).

Interim Dividend

The Board has declared an interim dividend of 21.0 pence (twenty-one point nought pence) per £1 Ordinary Share of the Company in respect of the year 1989 (1988 18.0 pence). This together with the imputed tax credit of 7.0 pence is equivalent to a gross dividend of 28.0 pence (1988 24.0 pence). The interim dividend now declared will absorb £145m and is payable on 2 October 1989 to Ordinary Shareholders on the Register on 24 August 1989.

In announcing the dividend, ICI's Chairman, Sir Denys

Henderson, commented: "The first half year's results reflect the strength of ICI's portfolio as a whole. This gives me confidence about our future performance in spite of signs of slower growth in some

As indicated in the 1988 Annual Report, it is intended that the second interim dividend will be paid in the last week

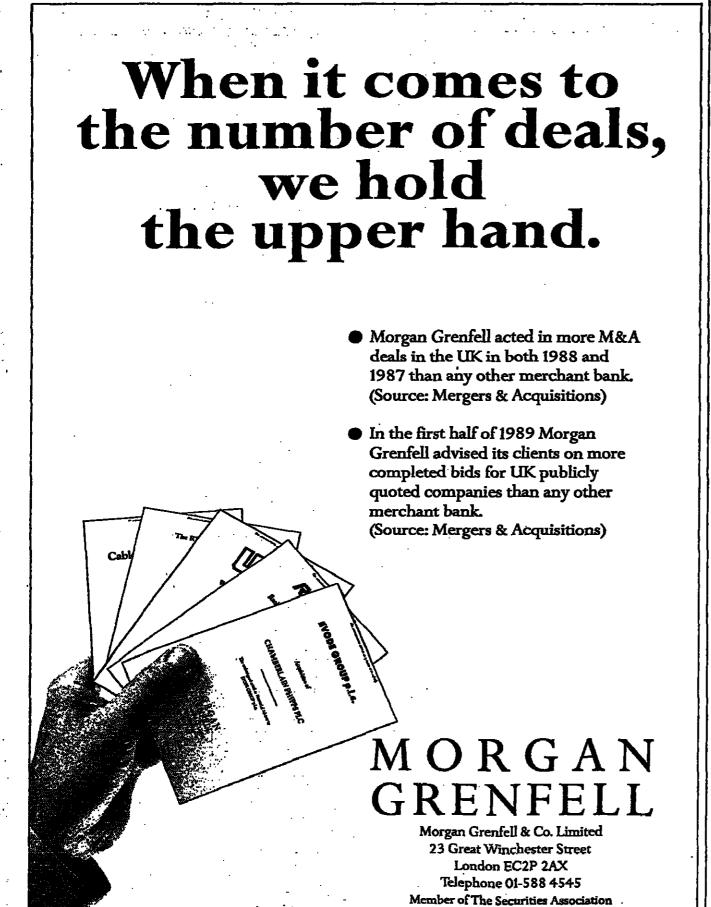
The unaudited trading results of the Group for the first half of 1989, with comparative figures for 1988, are as

1988 First			1989 First
Half	Year*		Half
£m	£m		£m
		Turnover	
1.360	2,705	United Kingdom	1,468
4.507	8,994	Overseas	5,174
5,867	11,699	Total	6,642
777	1,470	Trading Profit	914
239	484	After providing for	251
239	404	depreciation Income from related	251
83	162	companies	108
-77	— 162	Net interest payable	-97
		Profit on ordinary activities	
783	1,470	before taxation	925
		Tax on profit	
<u> </u>	-540	on ordinary activities	-332
		Profit on ordinary activities	
493	930	aftertaxation	593
<u>-24</u>	<u>-49</u>	Attributable to minorities	-31
		Net profit attributable to	
469	881	parent company	562
44	41	Extraordinary item	
		Net profit for the	
425_	837	financial period	562
		Earnings before	
		extraordinary item	
69.3p	129.7p	per £1 Ordinary Share	82.0

Abridged results: full accounts with an unqualified audit report have been lodged with the Registrar of Companies.

Trading results for the first nine months of 1989 will be announced on Thursday 26th October 1989.

IMPERIAL CHEMICAL INDUSTRIES PLC



COMMODITIES AND AGRICULTURE

Producers patch up nutmeg cartel

By John Murray Brown in Jakarta

INDONESIA and Grenada, the largest producers in the US\$85m-a-year world nutmeg trade, have agreed to patch up a two-year-old spice cartel which had been seriously threatened by Indonesian price

cutting.
After talks in Jakarta last week Mr Norris James, Chairman of the Grenada Co-operative Nutmeg Association, and Aspin its Indonesian counterpart signed an agreement on marketing co-operation and price coordination which requires Indonesia to raise its export prices immediately by almost 10 per cent to bring them in line with Grenada's.

Aspin also appointed First Pacific Commodities as sole agents to handle all Indones-ia's nutmeg exports which last year were worth about \$50m. The company is the Singaporebased trading arm of the group operated by Mr Llem Sice Liong, an Indonesian-Chines financier closely connected with President Suharto.

Indonesia supplies about 75 per cent of world nutmeg, Grenada 23 per cent. More than half Indonesian production is sold as a food additive in soft drinks in the US, the largest market. Grenadian nutmeg. although better placed geo-graphically to tap the US mar-ket, is considered of inferior

quality by buyers. In the 1987-88 season Indonesia sold its entire crop to Catz, the Rotterdam trader, in a move reminiscent of the Dutch and Portuguese monopolies of over 300 years ago when the spice islands of the East Indies first attracted world attention.

After some criticism from the Trade Ministry Aspin held an auction of last year's nut-meg crop in a bid to sell direct to the buyers.

Traders said Indonesia was selling some grades at around \$4,500 a tonne, undercuting the original minimum price agreement by as much as \$2,000. Mr Jantje Worotitjan, Aspin's president, gave details of a new minimum price formula pegged to a price of \$6.850 a tonne for ABCD, Grenada's defective grade, which is considered inferior to Indonesia's low grade BWP (broken, wormy and punky). Mace, the pungent red membrane which surrounds the nut, will be calculated on a \$14,000-a-tonne price for the Grenadian product.

Mr Worotitjan confidently predicted a 20-25 per cent increase in the price in the wake of this week's accord. Indonesian exports are projected to fall to about 3,000 tonnes from 4,000 in 1988, while yo fall to about1,500 tonnes from 2.000 tonnes.

LONDON MARKETS

US aims to build on success of agricultural policy

Nancy Dunne begins a series of articles on the future shape of US farming

"THERE IS no immutable economic law that says small farmers have to go and small farms have to die," Senator Tom Harkin of Iowa told a group of farm representatives at a fundraising function this

week.
Still, hundreds of thousands have gone during the past decade. By one count, 400,000 farmers have lost their land since 1985 alone when the US farm programme dramatically altered its course, depressing American commodity prices to make US exports more compet-

In Washington, where the sound of the auction gavel is muted by distance and repetition, the 1985 Farm Programme is seen by the Administration has having been more successful than not. It sent a message, says Mr Clayton Yeutter, the US agriculture secretary, that the US, would "no longer underwrite production expan-sion around the globe" through high support prices.

Although the US has never exported more than one-third of its agriculture production, it was decided in 1985 that agri-culture's best interest rested on recapturing foreign markets through lower prices and export subsidies. In theory, this was to bring the EC to its knees, raising the cost of the Common Agriculture Policy to get Community agreement on a phase-out of farm subsidies. A farm "safety net" of pro-duction subsidies was established to protect domestic pro-ducers from losses when prices fell below the cost of production, and the price tag on the farm programme soared to historic levels. Costs reached \$25.8bn in 1986 before they began to decline to the \$10-

15bn range. Since subsidies are based on units of production, most of the largess went to the largest farm operations. A \$50,000 limit on payments was largely bypassed by the simple expedi-ent of farmers subdividing their holdings among family

"The 1985 Act achieved many of its objectives," Mr Yeutter said in recent Congressional testimony. US agricultural exports bottomed out at \$26bn and 110m tonnes in 1986 and the USDA expects to export 146.5m tonnes of agri-cultural products worth about \$39bn. It was not, however, until last year, when the drought raised prices, that farm prices began to recover, compensating for lower export

Even with the combination of lower prices and subsidies, the US still has not regained the US still has not regalited its earlier market shares. Its share of the world wheat market, 44 per cent in 1981-82, plummeted to 25 per cent before rising again to a projected 37 per cent for 1988-89. At the same time coarse grains fell from 54 per cent to 39 per cent and are expected to rise



A farmer on his tractor for the last time as the auctioneer calls for bids for his business

The US market share for soyabeans has not recovered at all. Without production supports until last year's Drought Assistance Act, it fell from 87 per cent in 1981-82 to a projected 59 per cent this year.

The programme has other problems. Instead of "getting the Government out of agriculture" as the Reagan Adminis-tration had sought, the US Agriculture Department now has a major role in price-setting: dealing out export subsi-dies to depress prices and reduce stocks, setting loan rates and reducing acre-

A recent report from the General Accounting Office

plicated and expensive to operate that administrators are "stressed out" under the pressure and the staff costs rose 48 per cent between 1985 and 1988. Government money, pouring out to the farm belt, raised

1987 net cash income to the average level of the 1970s, the GAO said. Still, the apparent achieve-ments of the current programme are serving as a starting point in the debate for the farm bill which must be written next year. With the budget squeeze on, the Administration is focusing on

reduced costs. "We must ask ourselves whether annual outlays for price and income supports at

levels significantly above the long-term average are defensi-ble to the American taxpaver," Yeutter said. He believes the answer is no, and that the link between prices, income supports and production must he broken.

"To reduce budget exposure, we traditionally idle land, but idling land shorts the market and raises unit production costs, thereby making us less competitive in world markets." he said. "Our competitors relish that situation, knowing that we have often handed them market share on a silver

The Agriculture Committee, heavily weighted with farm interests, will seek to protect

its constituency as well as possible with an increasingly tattered farm "safety net." But proposals from populist farm groups that the US shift gears, raise income supports and proraise income supports, and protect domestic markets are being given short shrift. Partly, it is because the com-

position of the farm constitu-ency has changed as farms grow increasingly large and power is concentrated in the hands of giant grain traders and agribusiness operations.
As the Agricultural Policy
Working Group put it, in a
recent report, "Extreme alternatives can be expected to
receive little attention."

The Group is supported by such companies as Cargill, Inc; Central Soya Company: Monsanto Company and Nabisco Brands, which benefit from low

farm prices.
So the new farm bill will be marked by tinkering with the old. There are proposals to increase "planting flexibility" to allow farmers to shift into alternative crops. There will be environmental provisions and a focus on promoting low input sustainable agriculture. Lower production subsidies are inevi-table. There will be new aid for 'rural development.'

Once rural business needed a healthy farm economy to survive. Now, with so many farmers landless or requiring out-side earnings to hold on to their land, new industrial employment is required to support the farming community.

esia, Madagascar (with which

Zanzibar now vies for the posi-

tion of second largest pro-ducer), Brazil, India, and Pen-ang have forced world market

prices to all time lows. Once as

high as US\$9,000 a tonne, clove prices dropped from US\$3,000

in 1987-88 to US\$1,800 this year.

To these man-made problems must be added a natural one.

Although the clove tree disease

known as "sudden death" has

been present on Zanzibar and

Pemba for decades, it has lately taken a high toll. Of the

total tree population of approx-

regular harvest is now no more

be enough to offset falling prices. With about 90 per cent

long-term plans for diversify-

ing its economy through tour-

ism only now emerging, Africa's spice island can expect

yet one more difficult stretch ahead.

CRUDE Oil. (Light) 42,000 US galls \$/barrel

Latest Previous High/Low

Austria tunes in to gold coin sales

By Kenneth Gooding, Mining Correspondent

"A NEW era of relaxed restrictions for gold investment in Austria" will begin on October 1 with the launch of new gold builion coins, according to the World Gold Council. In its Gold Review, the council suggests that increased gold cil suggests that increased gold investment can be expected for several reasons. Austrian nationals will be able to buy the new. legal tender coins, called the Philharmonica, without paying value added tax, whereas previously only for-eigners could buy gold coins in Austria free of VAT.

Moreover, foreign bullion coins will be eligible for pur-chase by Austrian nationals

either next year or in 1991. The new coins will be dis-tributed and sold directly by the Austrian Mint, will be 99.99 per cent pure gold and be either of one troy ounce or one quarter of an ounce with face values of ASh2000 and ASh500

respectively.
The Gold Review says that last year the Austrian market absorbed about 20 tonnes of gold. Nationals bought about ASh5bn worth while foreigners, particularly those from OECD countries, accounted for an estimated ASh8bn.

Peruvian mine working soon

MR MARIO Samame Boggio, Peru's Energy and Mines Minister, said yesterday that the state-owned Centomin's bombed-out Morococha mine would be working again within two months, reports Reuter from Lima.

Maoist guerrillas wrecked much of the mine's machinery in bombings on July 14.

"Repairs are in progress and the mine will be functioning at full capacity within a month or two," Mr Samame Boggio said. Centromin officials had esti-

mated after the bombing that it would take at least a year to put the silver, zinc and lead mine back in operation.

New chief for metal exchange

has appointed Mr David King, at present director of finance and administration, to be chief executive from January 1. He will succeed Mr Michael Brown no announced recently that

Action comes too late to save Zanzibar's ailing clove industry

Nicholas Woodsworth examines the reasons for the unstoppable decline of the country's major business by such competitors as Indon-

T KIZIMBANI, in the centre of the lush green island of Zanzibar, two buildings, one devoted to pleasure, the other to science, sit side by side.

The first is a minor architectural treasure of domed chambers, echoing vaults, sunken pools, and intricate plumbing, it was built by the Sultan of Zanzibar 130 years ago so that his many wives could bathe in privacy when he came to tour <u>his Kizimbani clove estates.</u> The second is more prosaic; a collection of rooms housing desks, wall charts, and scien-tific equipment, it is main-tained by Britain's Overseas Development Administration

(ODA) as a research station investigating clove production. Happily for sightseers, the Sultan's baths, once a crumbling ruin, have recently been restored; new mortar, plaster, and whitewash have brought them back to their original state. Unhappily for Zanzībar, however, not all the efforts of the ODA or the Government have been able to restore the island's clove industry to its own original state. Once the

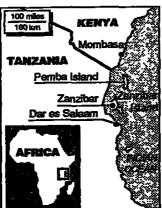
prosperous producer of over 90

per cent of the world's cloves, Zanzibar's major industry con-tinues to slip down a long road of steady decline. By the time the Sultan built

his baths in the middle of the last century, a clove industry was already well established on Zanzibar and its sister island, Pemba. Brought from the south Pacific by the Arab aristocracy who ruled Zanzibar, cloves were grown on large, slave-worked plantations such as Kizimbani. Through-out the second half of the 19th century the much sought-after spice made Zanzibar one of the richest trading centres in the Indian Ocean. The Arab elite's extravagant

lifestyle, the abolition of slav-ery in the 1890s, and the introduction of a wage economy heralded an end to the days of the great clove estates; by the 1920s the rural indebtedness of many Arab landowners resulted in the takeover and fragmentation of plantations by local Indian businessmen. In spite of a halt to expan-sion on the island, increasing prices and a steadily growing world market assured the con-

tinuation of the Zanzibar



industry. One of the biggest markets to develop in the inter-war years was in Indonesia, where, apart from in cooking, cloves are used in large quantities in the preparation of clove-scented cigarettes. In 1959 Zanzibar produced its largest harvest of 22,000 tonnes, and it remained the world's largest clove producer until the 1970s, when increasing production in Indonesia coincided with a steep decline in Zanzibar's production. The reasons for decline are 1964 newly-independent Zanzi-bar entered into political union with Tanganyika to form the state of Tanzania. Under the leadership of Julius Nyrere, Tanzania embarked on a series of socialist experiments. In the agricultural sphere, one of these experiments was

both human and natural. In

the further breaking up of clove plantations into three acre units and their distribu-tion to landless peasants. Another was the revision of agricultural producer prices to rock-bottom levels - by the early 1970s a state-controlled marketing board was paying Zanzibar clove producers only 7 per cent of world market

Neither of these policies was of any aid to clove production. Debutant farmers knew little of the techniques of clove tree growing or harvesting, and even less of management. Trees were neglected out of harvest season, and damaged during picking by inexperienced and unsupervised labour. Without adequate price incentives, farmers could not afford fertilisers or weed con-trol, and lacked the necessary

(Prices supplied by Amalgamated Metal Trading) US MARKETS

ben old trees died out. By the mid-1970s, the Government realised that technical aid and replanting projects were necessary if the industry was to continue. But although it undertook long-term programmes of replanting and extension work, a failure to raise producer prices resulted in continued neglect - production dropped as low as 1,000 tonnes annually.

capital to undertake replanting

It was only in 1981 that the Government officially recognised the need for a change in policy and raised producer clove prices, if only marginally. In 1986, however, Tanzania underwent a major shift in both ideology and economic policy, and under a new IMFsponsored economic recovery programme, Zanzibar raised producer prices from TSh25 (11p) to TSh71 a kilogram. Today farmers are receiving done much to encourage

greater production. The tragedy is that it is too late. Although Zanzibar now only grows only one tenth of the total world production, the 80,000 tonnes produced globally

A NON-EVENTFUL reaction by the US

imately 4.5m, about 1m have been affected in recent years. Although in 1988-89 Zanzibar has produced what in today's terms is a bumper harvest of more than 10,000 tonnes - a The London Metal Exchange

Chicago

than 8,000 tonnes — it will not coming from cloves, and he intended to retire.

Mr Chistopher Green has been re-elected chairman of the exchange for another year until July, 1990, and Mr John Wolff was re-elected vice-chair-

WORLD COMMODITIES PRICES

Precious metals made gains on the back of a weaker dollar yesterday. Gold ended the day at \$374.25 a troy ounce, up 50 cents an ounce, while platinum rose by \$7.5 an ounce to \$500.25. Even though gold gave up most of its early gains, dealers suggested the trading range was gradually creeping higher. The metal seemed to be confined to between \$372 and \$375 an ounce at the moment, up from about \$370 to \$374 earlier in the on the London Metal Exchange and another \$25 a tonne to \$12.825. Dealers said the market was pausing after Wednesday's rise to a seven-week peak. Robusta coffee futures closed mixed after an erratic day. The market fell initially, recovered and then lost

most of its gains in sympathy with a downturn in New York arabica futures.

SPOT MARKETS

Crude oil (per barrel FOB)		+ ar -
Dubai	\$14.65-4.752	
Brent Slend	\$17.20-7.35w	
W.T.I. (1 pm est)	\$18.33-8.38z	-0.19
Oli products (NWE prompt delivery per t	onne CIF)	+ or-
Premium Gasoline	\$185-188	
Gas Oil	\$149-150	
Heavy Fuel Oll	\$84-8 <u>8</u>	
Naphiha	\$154-158	+1
Petroleum Argus Estimates	<u> </u>	
Other		+ or -
Gold (per troy oz)-9	\$374.25	+0.50
Silver (per troy oz)	523c	
Platinum (per troy 02)	\$500,25	+7.50
Palladium (per troy oz)	\$148.65	+1.00
Aluminium (free market)	\$1755	+ 10
Copper (US Producer)	1195-120	+415
Lead (US Producer)	39.5c	+ 1.0
Nickel (free market)	595c	+5
Tin (Kuaia Lumpur market)		+0.07
Tin (New York)	447.5	+4.0
Zinc (US Prime Western)	803sc	
Cattle (live we/ght)†	115.89p	4.20
Sheep (dead weight)†		-25.5°
Pigs (live weightif		-3.52*
London daily sugar (raw)	\$349.61	-0.4
London daily sugar (white)		+7.5
Tate and Lyle export price	£325	-3
Barley (English food)	£104.75z	
Maize (US No. 3 yellow)	2730	
Wheat (US Dark Northern)	£121.75t	
Rubber (spot)♥		-0.25
Rubber (Sep) 🛡		-0.25
Rubber (Oct)♥	61.25p	
Rubber (KL RSS No 1 Aug)	252.0m	+0.5
Coconut oil (Philippines)§		-10
Palm Oil (Malaysian)§		-5
Coore (Dhittermouth	6330	

ts/lb. r-ringah/kg. y-Oct/Det. w-Aug. z-Seo u-Jun/Jul. x-Jul/Aug. I-Aug/Sep. v-Aug/Oct. tMeet Commission average fatstock prices. * change from a week ago. YLondon physical market. SCIF Rotterdam. & Bullion market close, m-Malaysean cents/kg.

+0.70

mated Metal Trading	y Amalgamat	ices supplied t	(Pr	HANGE	METAL EXC	LONDON			L E/tonne	coco
se Open Interest	Kerb close	AM Official	High/Low	Previous	Close		High/Low	Previous	Close	
turnover 7,225 tonne	Ring tur			(\$ per tonne)	, 89.7% purity	Aluminium	845 836	856	837	
		1757-8	1758	1735-40	1750-1	Cash	858 846	866	850	Sep
30.305 fots	1753-5	1763-5	1765/1753	1743-5	1755-6	3 months	912 898	919	900	Dec
turnover 31,300 torine	Fung turn			tonne)	rade A (£ per 1	CODDET. G	889 876	892	878	Mar
		1580-1	1580/1572	1570-2	1570-2	Cash	897 883	901	888	May
71,532 lots	1553-4	1550-1	1581/1545	1555-6	1553-4	3 months	910 900	915	903	أنال
turnover 4.300 tonne						Leed (E pe	923 914	930	916	Sep
	,,,,,,g				 _			?163) fots of		
6 3ee 1-ee	407.0	419-20	4001205	417-9	416-7	Cash	is per tonne). Daily			
9,751 lots	407-8	407-8	408/406	409-10	406-6.25	3 months	76.71) :10 day avor-			
turnovor 1,536 tonne	Ring tun				er tonne)	Nickel (S p	1.84)	77.15 (1070.	Jul 27 10	age to
0 5,665 lots	11850-950	12975-3000 11975-2000	12975/12900 12000/11850	12900-900 11900-50	12800-950 11825-50	Cash 3 months	High/Low	Previous	£/tonne	COFFI
g turnover 960 torine	Ring tu				tonne)	(In (5 per l			Close	
		9715-20	9735	9715-25	9725-35	Cash	798 783	786	784	Jul .
3.215 tots	9719-20	9700-5	9750/9700	9700-5	9710-20	3 months	792 770 800 777	779 785	779 786	Sep Nov
turnaver 6.800 tonne	Blac tur			(3 per tonne)	iel Hich Grade	7the Same	818 798	808	808	Jan
	rang war						836 821	828	830	Mer
40 700 Late	1595-9	1665-70 1590-3	1670/1865 1597/1585	1650-5 1677-8	1670-5 1595-8	Cash	860 860	855	852	May
10,730 lots		1000-0	132// 1303	1011-0		3 months	883 671	880	877	Jul
turnover 4,875 tonne	Sug tun				tonne)	Zinc (\$ per	d & toppos	5683) lots of	on 2047 I	Zumo:
		1600-5	1605/1600	1595-600	1605-10	Cash	ents per pound) for			
7,790 lots	1540-50	1538-40	1540	1526-30	1540-5	3 months				
								nne)	R (\$ per to	SUGAL
ET	CH MARKET	ONDON BULLI	. 10		S C/tonne	POTATOR	High/Low	Previous	Close	Raw
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	ON MARI	ONDOR BULL	14		S Monne	POTATOE		nne) Previous	77.25) R (\$ per to Close	76.43 (

ICO in	dicator pri Comp. dai	683) lots o ces (US o ly 73.44 (73	ents per pound) for 1.33), 15 day average	Cash 3 month	1605 a 1540		1595-600 1526-30	1605/1 1540
	R (\$ per to	ne)						
law	Close	Previous	High/Low	POTATO	DES Cho	nne		
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Acur Acur	301.60	296,60	302.00 293.20	Feb	150.0 213.8	150.0 213.0	218.0 210.0	
Agy	297.00	292.00	292.00 290.60	Apr May	233.0	232.0	231.0 230.0	
иģ	292.00	289.00	<u></u> -	_ 		7) lots of		
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seed	less grape	s are in pe	ak supply this	Jen Mar	113.45	113.25	113.35 113.	
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	Close	Provious	High/Lov	,
Jul	373.7	374.9	0	8
Aug	373.7	375.0	376.3	373.5
Sep Oct	375.9 377 9	377.3 379.3	0 380.5	0 377.5
Duc	380.2	383.5	384.7	381.7
Feb	386.0	387.5	388.0	367.3
Apr	390.1	391.6	392.0	332.0
Jun	394.2	335.7	0	0
Aug_	398.3	399.8	8	_ o
PLATI	MUM 50 b	ray 62; \$/tro	y 02	
	Ciose	Previous	High/Low	,
Oct	500.1	501.2	505.5	499.0
Jan	502.9	503 9	508.3	502.5
Apr	505.1	507.1	0	0
Jul Oct	509.6 513.1	510.6 514.1	0	0
		oy az; cents		
	Close	Provious	High/Law	,
Jul	521,7	522.4	523.5	522.5
Aug	521.8	523 0	0	0
Sep	526 3	527.5	529.0	525.0
Doc	538.5	539.9	541.0	537.5
Jen	541.7	543 t	0	8
Mar May	549.7 557.2	551 2 558.7	550.5 0	548.5 0
ᄺ	565 0	566.5	567 5	564.5
Sop	572.8	574.3	573.5	573.5
Dac	583.8	585.5	0	0
COPPI	9R 25,000	iba; cents/i	bs	
	Close	Provious	High/Low	
أناأ	112.70	112.00	113.30	112.10
Aug	112 20	111 60	0	0
Sep	112.20 108.20	111.55	113 20	111.30
Dac	.00.20	107 20	108.90	107.5
JNDe				
REVI		e. Septomb		
	July 20		mnth ago	_
	1923.1	1909 4	2027.3	1882,0
DOM	JONES (S	Base: Dor. 3	31 1974 -	100)
Spot	130.47	130.48	132 90	131.86
	CS 129.42	129.05	131.37	

AN	ON-FVE	NTFUL M	eaction t	y the US				1119101	·
doll	ar in the	GNP fig	ilika pal-i	the Co	Sep	18.23	18.30	18.64	18.16
	ale —	take ata-	ara vahi	do Bessel	Oct	18.10	18.16	18,48	18.06
				rts Drexel	Nov	18.06	18.13	15,39	18.G4
				ontinued	Dec	18.05	18.13	18,33	15.00
		n the so			Jan	18.00	18.11	18.28	18.00
				ig near the	Fab	18.00	18.09	18,27	18.00
		rage and			Mar	17.95	18.08	18.25	17.95
		e leature			Арг	18.14	18.07	18.25	18.14
				fee down	May	18.15	18.07	18.15	18.12
		ows basi			Jun	18.10	18.07	18,17	18.17
		es remai			200.0	DNG 57	0.000		
		house a			HEAT	ING OIL	12,000 US g	alia. cents/	US galla
The	grains i	nad local	short-co	overing in		Latest	Previous	High/Low	,
the s	oybean	s. Comn	nercial b	uying	A	4940	4349	<u> </u>	
				eat trading	Aug Sep	494U 5005	4949 5018	5020	4935
		th prices			Oct	5075	5088	5090 5160	4985
		The live:			Nov	5140	5158	5230	5060 5140
					Dec	5200	5233	5305	5200
		uiet. Live			Jan	5225	5243	5280	5200 5205
		s as the			Feb	5160	5143	5200	5130
				down hog	Mar	4940	4948	5015	4940
				ined early	Apr	4800	4758	4865	4320
		buying t			-				
		lay from							
sellin		~-y	- NO. 1100		===				
36IIII	.A.				COCC	A 10 tonn	es:\$/tonnes	<u> </u>	
				•		Çlose	Previous	High/Low	
Ne	w Y	ork			Sep	1286	1293		1770
					Dec	1311	1314	1290 1315	1270
GOLD	100 may	oz.; S/troy	oz.		Mar	1320	1323	1375	1298
	<u>-</u>				May	1330	1333	1331	1304 1317
	Close	Provious	High/Lo	w	Sep	1358	1361	1358	1352
Jul	373.7	374.9	0	0	Jul	1350	1353	0	1332 6
Aug	373.7	375.0	376.3	373.5	Doc	1377	1380	ō	ă
Sep	375.9	377.3	0	0				-	3
Oct	377.9	379.3	380.5	377.5					
Duc	380.2	383.5	384.7	381.7					
Feb	386.0	387.5	388.0	367.3	COFF	EE "C" 37	,500lbs; cer	rts/lbs	
Apr	390.1	391.6	392.0	332.0					
dun	394.2	335.7	0	0		Closo	Previous	High/Low	
Aug	398.3	399.8	ō	ŏ	Sop	83.44	85.37	86,70	83.10
					Doc	85.20	87.13	88,30	85.00
PLATE		roy 62; S /tr	oy 02		Mar	88.20	69.94	91.10	88.00
	Ciose	Previous	High/Lo	<u> </u>	May	90.25	91.91	83.25	90.0g
Oct	500.1	501.2	505.5	499.0	Sop	94.00	25.68	98.75	84.75
Jan	502.9	503.9	508.3	502.5	Dec	96.65	99.20	0	0
Apr	505.1	507.1	0	0					
Jul	509.6	510.6	ŏ	ŏ					
Oct	513.1	514.1	Ö	ŏ	SHGA	B MOSt D	"11" 112.00	10 lbe:	adhe.
				<u> </u>					
airte.		oy oz: cent				Close	Provious	High/Low	
	Close	Provious	High√La		Oct	14.47	14.22	14.54	14.03
Jul	521,7	522.4	523.5	522.5	Jan	12.88	12.63	0	0
Aug	521.8	523 0	0	0	Mar	13.58	13.30	13,64	13.15
Sep	526 3	527.5	529.0	525.0	May	13.30	13.08	13,33	12.95
Doc	538.5	539.9	541.0	537.5	Jul Oct	13 f0 12.85	12,94 12,70	13,10 12.35	12.84
Jen	541.7	543 t	9	0	-	500ء	1210	14433	12.65
Mar	549.7	551 2	550.5	548.5					
Млу	557.2 855.0	558.7	0	0					
Jul 8	565 0	566.5	567 5	564.5	===				
Sop Doc	572.8 583.8	574.3 585.5	573.5 0	573.5	CONT	<u> </u>	; cents/lbs		
				0		Close	Previous	High/Low	
COPPI	SR 25,000	lbs; cents	lbs		Oct	75.08	74.94	75,65	75.00
	Close	Provious	High/Lo		Dec	78.00	75.78	76.75	75.81
ft					Mar	78.65	76.33	77.25	76.40
Jul ****	112.70	112.00	113.30	112.10	May	76 90	76 45	77.45	78.55
Aug Sep	112.20 112.20	111 60	0 113 20	U	Jul	77.40	76 40	77.40	76.45
Dac		107 20	108.90	111.30 107.50	Oct	69 00	69.15	69.10	68.90
	-	10. 40	104.30	107.50	Duc	66 66	65.94	67.00	66.65
	_								
JND	CES								
_			h 10	 _1			45.000		
HEUT	ENS (B06	se: Septom			ORAN	GE JUIÇE	15.000 lbs;	cents/lbs	
l	July 20	6 July 25	mpth ar	о уг адо		Çiasa	Previous	High/Low	
1—	1923.1	1909 4	2027.3	1882,0	Sep	157.10	156.85	159,40	157.00
===				1	Nav	146.50	145 50	148.00	146.00
DOM	JONES (S	Base: Dec.	31 1974 -	100)	Jan	142.40	141.65	144.00	142.50
Spot	130.47	130.48	132 50	171.04	Mar	141.65	141.15	142.00	142.00
Subse	130.47		132 90	131.66	Mar	440 CE	140.16	1-2.00	1-2.00

		AUGU DOU MOION A	ents/60lb b	ushal
	Close	Previous	High/Low	
Aug	666/0			
Sep	616/4	651/6 612/2	670/0 619/0	663. 612
Nov	600/0	596/6	603/0	596
Jan	608/5	604/6	610/4	605
Mar	616/4	613/2	618/4	613
May	622/0	617/0	623/0	618
Jul Aug	622/2 609/0	618/4 603/0	625/0	620
		60,000 lbs; o	0	
	Close	Previous	High/Low	
Aug	18.81	18.89	19.00	18.7
Sep	19.03	19.13	19.25	19.0
Oct Dec	19.23 19.62	19.33	19.40	19.2
Jan	19.85	19.67 19.85	19. 80 19.92	19.5
Mar	20.20	20.25	20.30	19.8 20.2
May	20.50	20.50	20.65	20.5
Jul 5074	20.75	20.75	20.95	20.7
SOYA	Close	AL 100 tons:		
Aug	209.6	Previous 205.3	High/Low 209.8	coe :
Sep	196.1	193.7	196.5	205. 193.
Oct	188.2	187.5	188.5	186.
Dec	184.8	783.6	185.0	189.
Jan Mar	184.0 184.2	183.0	184.5	183.
May	185.0	183.2 182.5	184.5	183.
Jul	184.0	183.0	185.0 184.5	183. 184.
MAIZ	E 5,000 bu	min: cents/5		104.
	Closo	Previous	High/Low	
Эер	232/4	229/4	233/0	230/
Dec	229/4	226/0	229/6	225/
Mer May	236/2 240/6	232/6	235/4	232/
Jul	241/0	237/0 237/0	240/6	236/
Sep	234/0	230/0	241/2 234/0	237/ 231/
Dec	229/0	224/2	229/0	224
Dec	233/4	237/0	233/4	233/
WHEA	Close	min; cents/6		
Бер	389/B	Previous 388/2	High/Low	
Dec	402/4	400/8	390/2	384/
Mar	407/4	405/0	403/0 407/4	397/
	396/0	390/0	396/0	401/
May				
أحال	363/0	359/4	363/0	
Jul Sop	367/0	363/4	0	
Jul Sop	367/0	363/4 000 lbs: cent	0 ls/lbs	357/
Jul Bop LIVE C	367/0 ATTLE 40, Close 72.52	363/4	0 ls/lbs High/Low	357/
Jul Sep LIVE C Aug Sep	367/0 ATTLE 40, Close 72.52 73.90	363/4 000 lbs: cent Previous 72.77 73.90	0 Is/lbs High/Low 72.90 0	357/
Jul Sep LIVE C	367/0 CATTLE 40, Close 72.52 73.90 75.45	363/4 000 lbs: cent Previous 72.77 71.90 75.77	0 high/Low 72.90 0 75.70	72.50 0 75.33
Jul Sop LIVE C Aug Sep Oct Doc Fob	367/0 ATTLE 40, Close 72.52 73.90	363/4 000 lbs; cent Previous 72.77 73.90 75.77 73.90	0 Is/lbs High/Low 72.90 0 75.70 73.92	72.50 0 75.30 73.60
Jul Sop LIVE C Aug Sep Oct Doc Feb Apr	367/0 Close 72.52 73.90 75.45 73.77 72.55 73.55	363/4 000 lbs: cent Previous 72.77 71.90 75.77	0 b/lbs High/Low 72.90 0 75.70 73.92 72.75	72.50 0 75.30 73.60 72.40
Jul Sop LIVE C LIVE C Sep Oct Oec Feb Apr Jun	367/0 Close 72.52 73.90 75.45 73.77 72.55 73.55 72.05	363/4 000 lbs; cent Previous 72.77 73.90 75.77 73.90 72.67 73.75 72.35	0 High/Law 72.90 0 75.70 73.92 72.75 73.80 72.40	72.50 0 75.33 73.60 72.41 73.50
Aug Sep Dec Sep Oct Dec Feb Apr Jun	367/0 CATTLE 40, Close 72.52 73.90 75.45 73.77 72.55 73.55 73.55 70.50	363/4 000 lbs; cent Previous 72.77 71.90 75.77 73.90 72.67 73.75 72.36 70.80	0 b/lbs 72.90 0 75.70 73.92 72.75 73.80 72.40	72.50 0 75.33 73.65 72.45 73.50
Aug Sep Dec Sep Oct Dec Feb Apr Jun	367/0 CATTLE 40, Close 72.52 73.90 75.45 73.77 72.55 73.55 73.55 70.50	363/4 000 lbs; ceni Previous 72.77 71.90 75.77 73.90 72.87 73.75 72.36 70.80 0 lb; cents/li	0 Is/lbs Hightlow 72-90 0 75-70 73-92 72-75 73-80 70-75	72.50 0 75.33 73.60 73.50 71.87
Aug Sep LIVE C LIVE C Sep Occ Sep Apr Lun Aug	367/0 Close 72-52 73-90 75-45 73.77 72-55 73.55 72.05 70.50	363/4 000 lbs: ceni Previous 72.77 73.90 75.77 73.90 72.87 73.75 72.36 70.80 0 lb; cents/iii Previous	0 is/ibs 72-90 0 75-70 73-52 72-75 73-80 72-40 70-75	72.50 0 75.30 73.60 71.87 70.00
Jul Sop LIVE C Aug Sep Oct Oct Oct Oct Hun LIVE H	367/0 Close 72.52 73.90 75.45 73.77 72.55 72.05 72.05 70.50 Close 46.32 39.62	363/4 000 lbs; ceni Previous 72.77 71.90 75.77 73.90 72.87 73.75 72.36 70.80 0 lb; cents/li	0 s/lbs Hygh/Low 72.90 0 75.70 73.90 72.76 73.80 70.75 Hgh/Low 46.45	72.5(0 75.3(73.4(73.5(73.5(73.5(70.0(
Jul Sop LIVE C LIVE C Coct Doct Doct Doct LIVE H LIVE H	367/0 2ATTLE 40, Close 72.52 73.90 75.45 73.77 72.55 72.05 70.50 Close 46.32 39.62 41.42	363/4 000 lbs: cent Previous 72.77 73.90 73.75 73.75 73.75 72.85 70.86 0 lb: cents/li Previous 45.92 39.35 41.20	0 Is/lbs High/Low 72-90 0 75-70 73-92 72-76 73-90 72-40 70-75 95 High/Low 46-45 38-80	72.50 0 75.36 73.66 73.56 71.87 70.00
Jul Sop LIVE C Aug Sep Oct Oct Oct Oct Hun LIVE H	367/0 ATTLE 40, Clone 72.52 73.97 73.55 73.55 72.55 72.05 70.50 Glose 46.32	363/4 000 lbs; cent Previous 72.77 73.90 72.67 73.90 72.67 70.80 0 lb; cents/li Previous 45.92 39.35 41.20 42.10	0 Is/lbs HightLow 72.90 0 75.70 73.92 72.75 73.80 70.75 72.40 70.75 78.40 46.45 38.80 41.55 41.55 42.47	72.50 0 75.30 73.50 73.50 73.50 73.50 73.50 73.50
Aug Sep Oct Dec Feb Aug LIVE H	367/0 ATTLE 40, Close 72-52 73-90 75-45 73.77 72-55 70.50 Close 46.32 46.32 46.12 46.12 46.15	363/4 000 lbs: cent Previous 72.77 73.90 76.77 73.90 75.75 72.96 70.80 0 lb: cents/li Previous 45.92 39.35 41.20 42.10 39.82	0 Is/lbs HJghrLow 72.90 0 75.70 73.52 72.75 73.80 70.75 72.40 70.75 95 High/Low 46.45 39.80 41.55 42.47 40.40	72.56 0 75.36 73.46 71.87 70.00 48.10 38.35 41.17 42.18 39.85
Aug Sep Sep Oct Feb Apr LIVE H	367/0 ATTLE 40, Close 72.52 73.93 75.45 772.55 73.55 70.50 Glose 46.32 40.15 40.15 45.20 45.20	363/4 000 lbs: cent Previous 72.77 73.90 76.77 73.90 72.87 72.35 70.80 0 lb: cents/lt Previous 45.92 39.35 41.20 42.10 39.92 45.65	0 bribs Hightlow 72.90 0 75.70 73.92 72.75 73.80 70.75 Hightlow 46.45 39.80 41.55 42.47 40.40 45.30	72.50 0 75.33 73.60 73.40 71.87 70.00 48.10 38.35 41.17 42.18 39.85 44.90
Aug Sep Aug Sep Oct Oct Oct Oct Aug Live H	367/0 ATTLE 40, Close 72-52 73-90 75-45 73.75 72-55 72-55 70-30 GGS 30,00 46.32 30 62 46.32 46.42 46.55	363/4 000 lbs; ceni Previous 72.77 73.90 72.87 73.75 72.36 70.80 0 lb; cents/li 45.92 39.35 41.20 39.82 45.62 45.62 45.62 45.62	0 Is/lbs HightLow 72.90 0 75.70 73.92 72.75 73.80 70.75 72.40 70.75 78 46.45 39.80 41.55 42.47 40.40 45.90	72.50 0 75.30 73.50 71.80 70.00 48.10 39.80 44.10 42.18 39.80 44.40 45.40
Aug Sep Aug Sep Oct Oct Oct Oct Aug Live H	367/0 ATTLE 40, Clone 72.52 73.93 75.45 772.55 73.55 70.50 Glose 46.32 40.15 44.55 BELLIES 4	363/4 000 lbs: cent Previous 72.77 73.90 76.77 73.90 75.75 72.86 70.80 0 lb: cents/li Previous 45.92 39.35 41.20 42.10 42.10 49.10 49.10 45.65 44.72	0 Is/lbs HightLow 72.90 0 75.70 73.82 72.75 73.80 70.75 38.80 70.75 38.80 41.55 42.47 40.40 45.30 44.55 40.40	72.50 0 75.30 73.50 71.80 70.00 48.10 39.80 44.10 42.18 39.80 44.40 45.40
July Sop LIVE C LIVE C Aug Sop Oct Occ For For Hun LIVE H LIVE H ORK ORK ORK ORK ORK ORK ORK ORK	367/0 ATTLE 40, Close 72-52 73-90 75-45 73.77 72-55 73.55 72-05 70.30 GGS 30,00 GGS 30,00 46.32 30 62 46.32 46.42 46.55 BELLES 4 Close	363/4 000 lbs; cent Previous 72.77 73.90 72.87 73.76 72.35 72.35 70.80 00 lb; cents/lt Previous 45.92 39.35 41.20 42.10 39.82 45.02 45.02 45.02 45.02 45.02 47.72	0 br/bs HightLow 72.90 0 75.70 73.90 72.75 73.80 72.40 72.40 70.75 39.80 46.45 41.55 42.47 40.40 45.30 46.95 44.95 44.95	72.50 0 75.30 73.50 71.80 70.00 48.10 39.80 44.10 42.18 39.80 44.40 45.40
Aug Sep Aug Sep Oct Oct Oct Oct Aug Live H	387/0 ATTLE 40, Close 72.52 73.90 75.45 772.55 772.55 772.55 70.50 Close 48.32 49.12 49.15 49.	363/4 000 lbs; ceni Previous 72.77 73.90 72.67 73.90 72.67 73.75 72.36 70.80 0 lb; cents/li Previous 45.92 45.92 45.62 45.62 44.72 0,000 lbs; ce	0 Is/lbs HightLow 72.90 0 75.70 73.92 72.75 73.80 70.75 72.40 70.75 72.40 46.45 39.80 41.35 42.47 40.40 45.30 45.90 44.95 InightLow 27.65	72.50 0 72.40 75.30 73.40 73.50 73.50 70.00 48.10 49.40 45.40 44.50
Jul Sop LIVE C LIVE C Aug Sep Joac Feb Aug LIVE H L	367/0 ATTLE 40, Close 72-52 73-90 75-45 73.77 72-55 73.55 72-05 70.30 GGS 30,00 GGS 30,00 46.32 30 62 46.32 46.42 46.55 BELLES 4 Close	363/4 000 lbs; cent Previous 72.77 73.90 75.77 73.90 75.77 73.90 0 lb; cents/li Previous 45.92 39.35 41.20 42.10 39.82 45.65 44.72 0,000 lbs; ce Previous 40.52	0 s/lbs HyghrLow 72.90 0 75.70 73.92 72.76 73.90 70.75 72.40 70.75 78 High/Low 46.45 39.80 41.55 42.47 40.40 45.30 45.30 44.95 High/Low High/Low 46.97	357/0 0 72.50 75.33 73.60 76.35 77.00 76.35 76.35 76.30 48.10 48.10 44.50 44.50 44.50 44.50
Jul Sop LIVE C L	387/0 387/10 40, Close 72.52 73.97 72.55 73.55 70.50 0GS 30,00 Glose 46.32 39 62 41.42 45.90 44.55 BELLIES 4 Close 28.92 40.92	363/4 000 lbs; ceni Previous 72.77 73.90 72.67 73.90 72.67 73.75 72.36 70.80 0 lb; cents/li Previous 45.92 45.92 45.62 45.62 44.72 0,000 lbs; ce	0 Is/lbs HightLow 72.90 0 75.70 73.92 72.75 73.80 70.75 72.40 70.75 72.40 46.45 39.80 41.35 42.47 40.40 45.30 45.90 44.95 InightLow 27.65	72.50

LONDON STOCK EXCHANGE

Drug sector features firm equities

A UK stock market already very firm in response to Wall Street's overnight gain and an streets overnight gain and an improvement in sterling closed strongly yesterday on the disclosure of a planned \$27bn merger of two big US pharmaceutical companies.

The name of an definitive

The news of an definitive merger agreement between Bristol-Myers and Squibb in the US, coming hard on the heels of consummation of the Beecham-SmithKline Beckman merger, set British pharmaceutical stocks alight. There were substantial gains in Glaxo, Reckitt & Colman and Fisons, although some analysts said they were unconvinced of the likelihood of amalgamations

	4 D - W-	
Account	t Dealing	Detes
That Dealings: Jul 17	Jul 31	Aug 14
Option Declarati Jel 27	Oun: Aug 10	Aug 31
Lest Deckage: Jul 28	Aug 11	Sep 11
Accessed Days Aug 7	Aug 21	Sep 11
"New time dealth 9.00 am tire but	nge may taka Anees days e	place from .

involving UK drug firms. Market indices were also spurred ahead by a powerful advance in Reuters, the worldwide financial communications group, as Japanese and US buyers bought the stock.
These developments came only towards the end of the trading session and somewhat

response to the main UK corporate news of the day. ICI awaited the interim statement with confidence but lost much of the early gain after the trad-ing reports found a somewhat cautious response from ana-

With Wall Street nearly thirty Dow points up overnight and the pound responding favourably to overnight judge-ments of the UK trade figures for June, the UK equity market opened in good form. Turnover was not particularly inspiring at first, however, and the UK market was content to wait for Wall Street to open.
The news of the planned

bringing substantial gains in the UK drug stocks which fea-ture in the Footsie Index pushed the London market to the day's peak, a gain of nearly

The market boiled over only slightly in late trading, and the final reading of 2,283.7 showed a net gain of 19.2 on the FT-SE Index. Turnover increased, with Seaq volume jumping to 484.5m shares from Wednesday's 332.2m, but outside of the drug sectors and special fea-ture stocks, business was fairly modest. Traders commented that the final mood of the market was calmer than some of the share price gains might

La Fondiaria.

The Footsie Index is now within ten points of its latest post-Crash closing peak of 2,292.5, reached on July 19. impetus was provided yester-day afternoon by a widening of the premium on the Footsle futures contract.

Among the day's special fea-tures was the arrival of a £73m rights issue from Automated Security Holdings. Salomon Brothers International covered warrants, this time of three year covered call warrants on BAA. Covered war-rants have provided a signifi-cant feature of the market over the past week.

	F	INAN	CIAL	TIME	S ST	DCK	IND	CES			
	July 27	July 26	July 25	July 24	July 21	Yaar Ago	High	1989 Low	Since (atión .ow
Government Secs	87.07	86.70	88.34	88.34	86.40	88.04	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)		9.18 1/75)
Fixed interest	97.14	97.03	97.13	98.94	98.92	97.48	99.59 (15/3)		105.4 (28/11/4)		0.53 1/75)
Ordinary Shere	1902.5	1885.8	1886.0	1872.9	1892.9	1480.7	1903.; (197)		1926.2 (16/7/87		(9 4 (6/40)
Gold Mines	193.2	193.0	194.5	193.2	193.0	204.5	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83		(3.5 (10/71)
FT-SE 100 Share	2253.7	2264.5	2269.4	2258.1	2283.0	1841.3	2292.5 (19/7)		2443.4 (16/7/87		86.9 /7/84)
Ord. Div. Yield Earning Yid %(full) P/E Ratio(Net)(ŵ)	4,30 10,04 11,97	4,26 9,99 12,03	4.28 10.02 12.02	4.31 10.09 11.94	4,27 9.99 12.08	4,59 11.64 10.47	Ordin	s 100 Govt Sec nary 1/7/35, Go E 100 31/12/83.	id mines la	2/9/5 <u>5</u>	
SEAQ Bergains(5pm) Equity Turnover(2m)† Equity Bargainst	28,446	21,252 1093.74 25,879	24,759 1457.06 27,976	26,173 1265.12 30,046	26,216 1352,47 90,336	26,696 1084.82 27,415		E ACTI	VITY	ılıy 26	July 25
Shares Traded (mi)† Ordinary Share Index,	Hourly of	341.4	518.8 Day's Hig	468.4	450.1	454,4 Low 189	as Éc	iit Edged Bar puity Bergain puity Value	5 1	81.2 67.7 210.7	74 7 181 3 2945.1
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TRADING VOLUME IN MAJOR STOCKS

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Muted response to ICI

The interim report from ICI eventually failed to please the market, although the pre-tax profit figure was up to expectations. Analysts were slightly unhappy with the contribution to profits from non-recurring asset sales, and continued to take a cautious view of the trading outlook for the coming

The shares, which have fol-lowed a switchback course this week, were very firm ahead of yesterday's statement, and showed a gain of 11 at best, in the immediate wake of the interim figures. However, as further opinions trickled back to the market from the company's presentation to press and analysts, the gain in the shares was trimmed signifi-

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Sea chidii

THE CASE

At the close, ICI shares contrasted with the rest of the market, showing a net gain on the day of only 1 at 1254p. Turnover at 2.4m shares was substantially higher than earlier in the week and indicated significant profit-taking in the second half of the session. One leading UK firm of stockbrokers, close watchers of ICI, found the outcome, "disap-pointing", adding that, "the big questions is still the second half of this year and the pros-pects for 1990."

Busy Gas

British Gas shares were among the market's busiest, counters with some 14m shares described as a very active two-way market. The share price touched a 1989 high of 202%p, before easing back to close a net 11/4 firmer at 2010.

Dealers and sector specialists said there was no single big story behind the good per-formance of the stock but that a combination of factors were sponsible. First, according to traders, a bout of overseas buy-ing, much of it from the US, had uncovered a stock short-age which worsened as the session wore on.

Second, the series of poor results from some of the US majors caused a series of switching operations, out of the two UK "majors", BP and Shell, and into British Gas.

Third, analysts said there was a growing awareness of the "green" factor in the energy sector with some of the so-called ethical funds very keen to increase their holdings in gas, highlighted as a "clean" energy source. BP were barely changed at 301p, on turnover of 7.1m while Shell held at 420p

Racals bounce

The Racal twins staged a useful rally after their recent underperformance. The Racal companies' shares fell steeply last month after being excluded by the Government from applying for the new gen-eration of cellular licences, the personal communication net-works. Smith New Court, the UK securities house, was said to have given both stocks a strong push throughout the

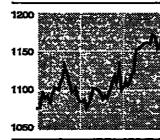
Mr Mike Styles, a member of Smith New Court's electronics team, said shares in the two companies had fallen a long way in recent weeks. "The fail has been overdone and with Racal Telecom's annual meeting scheduled for August 1 and that of Racal Electronics due on August 8, we are looking for some good news from both

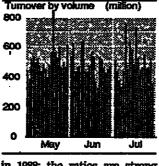
But in a comprehensive review of the telephone networks, another broking house, County NatWest WoodMac, says its "major recommendation is to sell Racal Telecom". The County team says Racal Telecom has only just begun to reflect the impact of further competition from the personal communicator licensees. "Further consideration of this issue is likely to keep the share price depressed." County warned. Racal Telecom shares moved up 8 to 376p albeit in relatively

thin trading of 125,000 shares, while Racal Electronics jumped 12 to 444p on turnover Barclays and NatWest outperformed the other clearers shead of the first of the interim reports from the sector -those of Lloyds today. Barclays rose 5 to 483p with turnover in

the shares improving on recent levels and totalling 12m. In his preview of the interims Mr Ian Shelley at WI Carr, the stock-broker, highlights Barclays' attractions. "A bank in form and worth backing strong growth in lending last year will benefit profit growth this year, overseas operations will recover after exceptional losses

FT-A All-Share Index

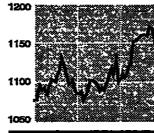




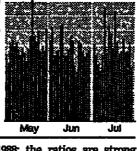
in 1988; the ratios are strong since the heavy rights last year and the group is only modestly exposed to LDCs."

stream of had publicity over the Blue Arrow affair, which resulted in the resignations of Lord Boardman, the chairman, and three main board directors, rallied 3 to 317p.

per cent stake in Morgan was ing group, retains a 20.7 per cent stake in Morgan Grenfell



Equity Shares Traded Turnover by volume (million)



while Deutsche Bank has a near 5 per cent holding and Prudential a 6.3 per cent hold-

NatWest, unsettled by the

Shares of Morgan Grenfell, the merchant bank, took off on another run, closing 15 higher at 315p as dealers reported fur-ther stories that a bid for the bank could be on the way; a 4.9 sold by Dewey Warren last week at 300p a share and was thought to have been passed on to a Continental bank. Willis Faber, the insurance brok-

There were widespread gains throughout insurances. Royal Insurance moved up 5% to 300p after news of its expansion project into the Italian market with the £99m purchase of Lloyd Italico, a gen-

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (188).

BETTISH FUNDS (198 LOANE (1) AMERICANS (1) COIDSTO-PLINGBIVE, BARKES (S) Allied Intel, Bunk Iroland, Distractos, Missubishi T & B. Linko Dis., BREWIERS (S) Meraton Trompson, Merrydown Wine, SULLDBIGS (5) GPH, Eve, Kingspan, Tilbury, Wests Blade, GO, CRI, Eve, Kingspan, Tilbury, Wests Blade, GP, Holson Int., Leporte, Novolada 'B', STURIES (S) Aspray, Body Shop, Essm, Jacques Ver, Kingslaher, Do. 83-pp Ln. 2005, Nerszios (J.), Smith (VI-I.) 'A'. ELECTRICALS (7) Bortand Int's, Demsans, Druck, Philips Lp., Piessay, Palon, Servonser, BIKCANEERISHO (S) SM, Concentral, Hill & Smith, Tex Hidgs, Vickers, POODS (S) Appleby Westbard, Argyl, Ashto, Edgaly, Fil-Petes, Geest, Kufit Geve, Salmsbury (J.), Sufferison, BINSTERIALS (27) Alli, Assoc, Srk. Conella, Assoc, Niraling Serve, Avis Europe, BTR Nyer, Barry Welschiller, Segverco, Bines Inds., Blushird Toys, Srf., Vills, Brooks Serv., Ciryshifts, Cootson, Crean (J.), Dyson (J.S. J.), Fisons, Flogus, Gration, Hepprotti, MB Grp., Pontland, Portmeirion Pots, Rallance Seo., Reulets,

NEW HIGHE MAIL

Scape, TT Grp., Torridins (F.H.) 5.9pc Cv.
Pl., LEISUNE/G Custle Commes, Prism.
Tharnes TV, Woodington, MGTOTRS (2)
Central Mtr. Auch., Volvo, NEWSPAPERS
(1) Pearson, PAPERS (4) Clonelatin, MSI,
Research, U.K. Paper, WCRS, PROPERTY
(7) SHPP980 (2) Cocan Trains, Runcinsmi
(W.), TEXTRIES (3) Dawson Infil, Early's
of Witney, TRUSTS (2) Oas 56 Brit. Ges,
Midd. & Scot. Res., Premier Cons., TR Energ.
MEMES (4) THARD MARKET (5).
MEW LOWS (59).
AMERICANS (5) CAMADDANS (5) BRILDONG
(1) Federated Housing, GREINCALS (1)
POVINI, STORES (6) Gebicci, Gramer,
Storrehouse, Upton (E.), ELECTRICALS (7)
Ferrari, Folimes Prel: Morthamper, Mh.
Telecom, R. & V Info Syste, Telecomputing,
Wath., Select., INDUSTRIALS (3) Forgatorosi,
Hyman, Minty, Savegs, T.P Europe, Utd.
Guarantes, MOTORS (1) Bletchitcy Mtr.,
Market Papers (1) Contineeve, PAPERS
(2) ATA Select., Craton Indige, PROPERTY
(1) Balos Harris Saunders, TEXTRIES (2)
Love (FLH.), Tomidrason, TRUSTS (1) Dals
(2) Guilstreams, Ind. Pet. Crp., MINES (4)

£46m for RMC's Lander alarms division and £7.4m for Group 4 eral insurance company, from

Speculation that Midsummer Leisure is about to make an offer for Leisure International saw the former drop 3 to 213p and the latter add 3 at 93p. Talk of a bid for Thames TV from Cariton Communications resurfaced, lifting Thames 12 to 514p and Carlton 4 to 796p. In an active chemicals arena

Hickson International made further strong progress, closing another 15 higher at a 1989 high of 287p; the group's interim figures are scheduled for August 10 and pre-tax are expected to come out around 230m at the 120m.

220m compared with £12m.

Tilbury Group leapt 33 to 678p in response to late news that the group had sold part of its Linewood site in Scotland for £11m. Bariier in the day a buy recommendation from Mr Richard Hopewell at Swiss Bank Stockbroking had initiated a rise in the shares.Mr Hopewell reckons Tilbury is worth "at least 780p" and has lifted his current year profits forecast from £18m to £22m "as a reasonable reflection of what could be achieved by Tilbury in a hostile bid situation."

NSM raced up 9 to 124p amid speculation of imminent acqui-

Boots led the way among generally firmer stores with a gain of 7 to 286p on turnover of 1.8m shares. The stock was boosted by bullish news on current trading from the annual general meeting, but speculation over what the company will do with its bid for diversified retail group Ward White continues to unsettle the share price. Boots has already encountered public opposition from a number of stitutional shareholders over its plans to take over Ward White.

At the moment most dealers believe Boots has got more to offer than the 400p a share cur-rently on the table, but they doubt whether the company is willing to go much over 450p. This could still leave the door open for a rival bidder, as the market consensus appears to favour something around 500p a share as a knockout price.

Among the rare declines

were Storehouse, already trou-bled by Monday's huge down-grading from broker James Capel, and yesterday further weakened by a profits warning issued at the annual general meeting by Sir Terence Conran, the group's chairman. Storehouse eventually closed 2 lighter at 143p on turnover of 2.8m shares News that Automated Secu-

rity Holdings (ASH)are financing two expansion moves in the UK alarms business and reducing borrowings via a £73m rights issue - a one-for-three issue at 230p a share upset ASH shares which retreated sharply to close a net 13 lower at 270p. ASH is paying

Control Techniques shares also came under strong down-

ward pressure, dropping 11 to 223p in the wake of the proposed rights issue to raise 29.4m in the ratio of one-for-three at 195p. It revealed the purchase from Kode Interna-tional of Moore Reed for £2m plus the assumption of indebt-edness of £1.8m. British Telecom held at 254p

on turnover of 4.5m after the annual meeting at which the chairman spoke of facing "a competition policy and increasingly pervasive regulatory environment that positively discriminates in favour of new entrants to the market."

The prospect of imminent developments rewgarding a renewed GEC/Siemens offer for Plessey saw the latter's shares manage a minor improvement at 272p on turnover of 4.5m well up on recent levels. GEC were a fraction harder at 267p

Food manufacturers continued to attract busy speculative demand. Dalgety remains the sector's most favoured bid tar-get, the shares adding a further 12 at 433p on turnover of

Ranks Hovis Macdongall were also underpinned by takeover talk, as dealers reported the presence of a large buyer on inter dealer-broker network. Sunningdale, a company run by Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer, has just under 30 per cent of RHM, yet the three financiers are already deeply involved in a £13bn bid for BAT Industries via their vehicle Hoylake.

option activity after Salomon Brothers announced an issue of covered warrants, which will be priced today. The underlying security benefited and, although business was moderate, the shares gained

widely talked of this week -then the Goldsmith/Rothschild/ Packer axis may decide to drop volume (7.3m shares) with buy-

475p, before selling pressure pegged the price back to 465p, a gain of 7 on turnover of exactly 5m shares. Food retailers were also in

demand, most notably Sains-bury, which firmed 7 to 274p as nearly 2m shares changed BAA ran into unusual traded

The market's thinking is,

said traders, that if the Hoy-lake bid runs into trouble with

the Monopolies and Mergers

Commission - and the likeli-hood of a referral has been

the BATs bid and turn its

acquisitive attentions to RHM.

Although there was little evidence to back up such assertions, the talk was enough to send RHM shares to a high of

7½ to 367p. BA traded in much heavier

ers anticipating that the first-quarter results, due next Thursday, would make good reading. At the close, BA shares were 4 firmer at 207p. Eurotunnel furthered their

recovery 914p, up 14, while British Aerospace rebounded 11 to 714p. Jaguar, however, lost 8 more to 380p.

The first of a planned series of presentations to investors in the US aroused enthusiasm for WPP, up 15 further at 684p. Renewed UK institutional sup-

port amid suggestions that a leading securities house had substantially upgraded its asset valuation lifted UK Paper 7 to 259p but Wace suffered, losing 9 to 422p, as profits were taken after yesterday's superb interim results.

Publishers returned to fashion with speculative buyers favouring Pearson, 18 higher at 764p, for the group's break-up potential and Maxwell Communication, 6½ dearer at 203½p, in front of Monday's preliminary statement.

Signs that the recent spate of profit-taking had run its course encouraged fresh support of Courtaulds, 8 dearer at 371p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

FT LAW REPORTS

Tax relief for film investor

ENSIGN TANKERS (LEASING) LTD v STOKES ancery Division: Mr Justice Millett: July 14 1989

A CORPORATE partner which invests in a limited partnership to obtain a tax advantage is entitled to first-year allow-ance for capital expenditure on plant if the partnership is trading in that it enters into a transaction which, though deliberately structured to achieve the tax advantage for partners, is genuinely com-mercial with a view of profit. Mr Justice Millett so held

when allowing an appeal by the taxpayer, Epsign Tankers (Leasing) Ltd, from a decision by Inland Revenue Commissioners that it was not entitled to tax relief on capital expenditure on plant. Section 41(1) of the Finance

Act 1971 provides: "... where – (a) a person carrying on a trade incurs capital expenditure on . . . plant . . . for the purposes of the trade, and (b) . . . the . . . plant belongs to him at some time during the chargeable period . . . there shall be made to him an allowance . . . (referred to as a first year allowance) . . . '

HIS LORDSHIP said that Ensign was a member of the Thomas Tilling group of com-

On July 14 1980 it entered into a limited partnership, called the Victory Partnership, between Victory Film Production Ltd as general partner, and Ensign and four other companies as limited partners.
The partnership objects were stated to be the production and distribution of films on a commercial basis. Its capital was \$3.25m, contributed by the limited partners. Ensign's contri-bution was \$2.37m.

Victory Productions, owned by Lorimar Productions Inter-national (LPI) had conduct and management of the business. LPI had made arrangements for production of a film called "Escape to Victory" at an estimated cost of \$13m. It was to be distributed by an associated company, Lorimar Distribution

By agreement on July 14 LPI agreed to lend the partnership the additional \$9.75m it needed to make and complete the film; the partnership acquired the unfinished film for \$4.78m and LPI agreed to complete produc-tion on its behalf; the partnership retained ownership of the master negative but granted LD in perpetuity an exclusive licence to distribute outside the UK; and the net receipts of in a business where expendithe film were payable to the ture normally preceded income

partnership.
The partnership, though a sleeping partner in financial terms, thus acquired a 100 per cent interest in the venture, and paid 100 per cent of the total budgeted costs with the assistance of a 75 per cent loan from LPL
That meant (i)that as loan

creditor LPI would expect to recover its loan before the partnership recovered any capital. and (ii) that the partnership was provided with the element of "gearing" necessary to achieve the fiscal advantages the limited partners were seek-

By borrowing 75 per cent of the capital cost of the film the partnership was able to spend four times its own capital in the provision of "plant" and to obtain first-year allowances equal to that expenditure.

As film receipts came in the "gearing" would have a corresponding but opposite effect.
Until its indebtedness to LPI was repaid, the partnership would be taxed on receipt of income four times greater than what it was entitled to retain. The way in which the scheme was intended to work

A partnership acted through the partners. A limited partnership and its partners, acted through the general partner. If it initiated a trading transaction, that was trading by the partnership. Each corporate partner's share of profits or losses constituted profits or losses of a separate trade car-ried on by the partner (see sec-tion 155, Income and Corporation Taxes Act 1970).

Availability of first year allowances would create an immediate trading loss by the partnership. In the inevitable absence of any film receipts during the year in which the expenditure was incurred, trading loss would be equal to

expenditure.

That would not be recouped until income was received from exploitation of the film in following years. In the meantime Ensign's share of the partnership's trading loss could be surrendered to other companies in the Thomas Tilling

group.
The initial fiscal advantages which Ensign sought to achieve, like the later fiscal disadvantages which could not be avoided, derived from the "gearing" effect obtained by the use of both for which first property against a secret for which first acquire assets for which first year allowances were available

by two or three years.
In the case of "Outland," another full length film, the structure was similar, the part-nership being Outland Produc-

Both films made a loss. The tax inspector refused Ensign's claim under section 41(1) of the Finance Act 1971 for first year allowance on its capital expenditure on the master negatives. Its appeal was dismissed by the commissioners on the ground that neither of the partnerships was trading. Ensign now appealed. The law was that: (1) A transaction in the nature of

trade must possess a genuine commercial purpose. (2) A collateral or ulterior purpose to obtain a tax advantage did not "denature" an essentially commercial transaction. (3) Where commercial and fiscal purposes were present, questions of fact and degree were for the com-missioners. The question was not which purpose was pre-dominant, but whether the transaction could fairly be described as in the nature of trade. (4) The purpose or object of the transaction must not be confused with the taxpayer's conrused with the taxpayer's motive in entering into it. The question was not "why" but "whether" he was trading. (5) The test was objective. (6) In considering the purpose of a transaction, its component parts must be viewed as a whole (7) If the number was to whole (7) If the purpose was to make a profit, it did not cease to be a commercial transaction merely because those engaged in it had obtained finance from persons interested in achieving a fiscal advantage. (8) Some transactions might be so affected by fiscal consider-ations, that their shape or characteristic was no longer

that of a trading transaction. (9) Accordingly, the question was whether, in all the circumstances, the transaction was capable of being fairly regarded as a transaction in the nature of trade, albeit intended to secure a fiscal advantage.

The commissioners con-cluded that transactions entered into "with fiscal motives as their paramount object" were not trading trans-actions. They found that nei-ther partnership was trading. That decision betrayed a confusion between the taxpayer's motives and the purpose of the transaction. The commissioners' findings were all concerned with

Ensign's motivation for becom-

ing a limited partner, and not with the partnerships' objects in entering into the transac-

Their conclusion that the transactions were not commercial was not based on any finding that the financial terms were uncommercial, but on the absence of any commercial motive on Ensign's part. Their reasoning and conclu-

sions could not be supported. From LPI's point of view, the partnership's participation was a means of financing part of the cost of the film. LPI set out to make the film before the partnership appeared on the scene. In the absence of a find-ing to the contrary, it must be taken to have done so commer-cially with a view to profit. LPI was not in business merely to break even after repaying its borrowings with interest. If it had made a profit, the partnership would have also.

Only one conclusion was possible. Viewed objectively, the transactions entered into by the partnerships were com-mercial transactions with a view of profit.

The questions of law arising from the facts found by the commissioners could be formulated as followed:

Where a partnership entered into a commercial transaction with a view to profit, could it fairly be regarded as carrying on a trade even if (i) it obtained the necessary finance from investors who were primarily motivated by fiscal advantages rather than comanvantages rather than con-mercial profit; and (ii) the transaction itself was deliber-ately structured to secure the fiscal advantage without ceasing to be commercial or jeopardising the prospects of profit?

That question must be answered in the affirmative. Neither factor alone, nor both together, could alter the true nature of the transaction. The commissioners must have misdirected themselves in one or

both respects. The only true and reasonable conclusion from the facts found by them was that the partnerships were trading.

The appeal was allowed. For Ensign: John Gardiner QC and Roger Thomas (FJ Macintosh, BTR Industries).

For the Crown: Francis Ferris QC and Alan Moses (Inland Revenue solicitor).

Rachel Davies

APPOINTMENTS

British Telecom changes

■ BRITSH TELECOM has appointed Mr Peter Skinner as director of mobile communications from August 1. He was director network products and operations, and succeeds Mr John Carrington, president, BT Inc, looking after North American operations. Mr Robin Bomer, director of Government relations, has

■ Mr Tom Carruthers has joined BIMEC INDUSTRIES, and following the annual meeting on August 15 will be appointed group company secretary. He was company secretary at Stanton.

■ CENTRAL TELEVISION FACILITIES, part of Central Television, has appointed a management board. Chairman of the division is Mr Leslie Hill, with Central's director of operations as managing director, and Mr Peter Booth as deputy managing director. Other members of the board are Mr Kevin Betts, Mr Bob Carruthers, Mr John Lupton Mr Paul Phayer and Mr Mike

■ Mr Ross Stnart has been appointed plant director and general manager at COPELAND CORPORATION, Theale. He joins from Polarcold, where he was director and general manager.

Ms Cherrill Scheer has

director of the commercial department in the solicitor's office. The changes are from joined SCOTT HOWARD as director - group marketing services. She was marketing director of Hille International.

solicitor and chief legal adviser. Mr Colin Green succeeds Mr Rickford. Mr Green is promoted from

been appointed to the new post of director, business policy. He is succeeded by Mr Jonathan Rickford who was

■ Mr Robert Poldermans has been appointed European practice director for the financial industry at ARTHUR D. LITTLE

Mr John Trinder, a former director of GKN-Keller, has joined the board of ENGINEERING GEOLOGY as marketing director.

Mr Jeremy Colson has been appointed group director of finance of SOUTH WEST WATER. He was finance director of Bestwood. ■ Dr Henry Shirman has been

appointed manufacturing

director of J.C. BAMFORD

EXCAVATORS. He was plant

manager of the metal stamping

and body construction plant at Ford's Halewood factory. Mr Bryan Portman has been

appointed chief executive, HILL SAMUEL LIFE. ASSURANCE from August 21. He was corporate finance director of Lowndes Queensway. Hill Samuel Investment Advisers has appointed the following directors: Ms Anne Halloran, US marketing and client servicing; Mr Hamish Parker, European equities; Mr Tim Sanderson, Pacific Basin

equities. ■ Mr Alan White has been appointed finance director of N. BROWN GROUP, ster, nom August 1. He will continue as company

■ Mr Kevin Ball has been

promoted from company

secretary to director of finance of GEORGE, ORRIDGE, part of the Orridge Group. ■ Former managing director of Block Hotels, Mr David

Stogdale, has been appointed group chief executive of WINDSOR HOTEL GROUP. MILES 33 has formed a composition systems division of which Mr Mark Lunt has been appointed director. He was sales and marketing director. Mr Mark Gardner becomes director of operations. and Mr Terry Lockwood

■ Mr John Little has been appointed marketing director of BARCLAYS FINANCIAL SERVICES. He was retail

director of sales and

marketing.



SCANDINAVIAN BANK GROUP has appointed its first woman executive director. She is Ms Cynthia J. Kohlbry (above) who was senior direc-tor and group head at Marine Midland.

director of Barclays Bank's Pall Mall regional office covering central London.

Mr John Herrin, deputy chairman of Crystalate Holdings, has been appointed a director of OXLEY DEVELOPMENTS CO.

Mr John Hignett has been

appointed a non-executive director of TI GROUP. He is

director-general of the panel

finance director of Glaxo

Holdings, and is a former

on take-overs and mergers. ERF TRUCKS has appointed Mr Bob Kyle as manufacturing

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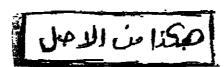
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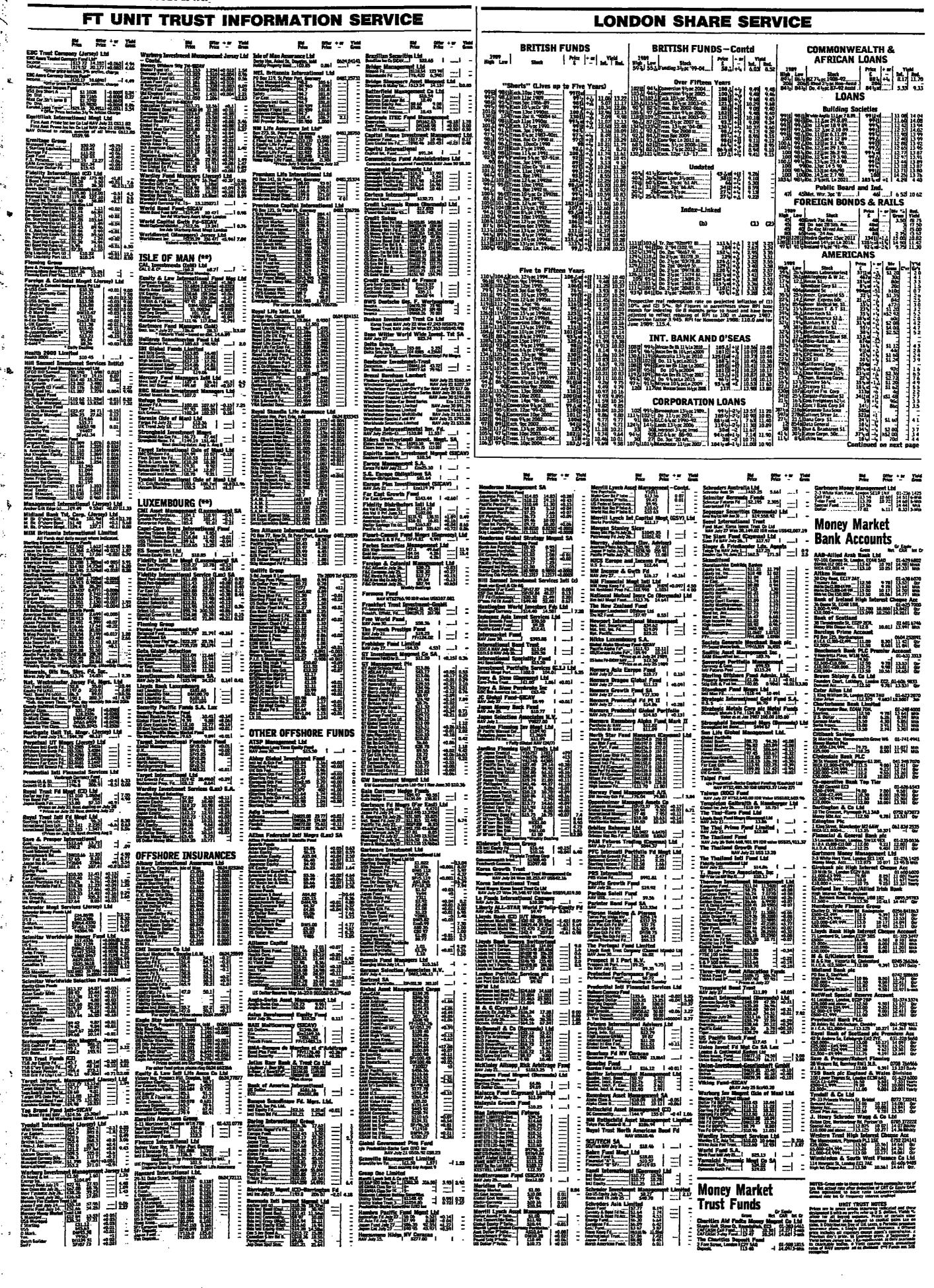
33 **UNIT TRUST INFORMATION SERVICE** Current Unit Trust Prices are available on FT Cityline. To obtain your tree Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2125 品 解 禮 語 法 Bid Price Office + or Yield Price - Gress Offer + or Yield Price - Great Offer + or Yield Price - Grass Price Windsor Trusch Menys Ltd. 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Productial Holbern Life Ltd	European Sm. Col. 192.0 202.1 -0.7	- 89 de 6 Financial minimagnature - 0512 455200 00181 Ser - 5712 50 400 101 3 400 101 3 40 101 101 3 40 101 101 3 40 101 101 3 40 101 101 3 40 101 101 3 40 101 101 3 40 101 101 3 40 101 101 3 40 101 101 3 40 101 101 3 40 101 101 3 40 101 101 101 101 101 101 101 101 101	## Bid ## ## Yield ## ## \$\text{State \$1.2 \\ \text{20} \\ \text{30}

FINANCIAL TIMES FRIDAY JULY 28 1989



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Section Contact

DNDON SHARE SERVICE

STATEMENT PRINCE LINE STATEMENT OF THE PRINCE LINE **LONDON SHARE SERVICE ● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128 INSURANCES - Contd PAPER, PRINTING, MINES - Contd 1387
| High Law | Shack | 296 | 296 | 296 | 284 | 148 | 185 | 209 | y | 363 | 313 | 314 | 186 | 187 | 187 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 | **TEXTILES** TRUSTS, FINANCE, LAND-Contd **TOBACCOS** TRUSTS, FINANCE, LAND

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

US dollar loses ground

THE US dollar finished down from Wednesday's closing levels but up from yesterday's lows. The US unit was pushed lower initially on news that US second quarter provisional Gross National Product rose by just 1.7 per cent from a down-ward revision in the first quarter increase to 3.7 per cent

from 4.4 per cent.

The dollar's softer tone was firmly established earlier in the day as trading in the Far East underlined a bearish sentiment which suggests that the US Federal Reserve is pursuing a policy of looser monetary conditions. However, the US unit appears to be well oversold according to some traders, which raises the prospect of some sort of technical rebound. The more moderate rate of decline in the dollar is probably in keeping with the Fed's desire to see the US unit lower but not at the expense of a de-stabilising rapid decline. In addition, investors

remained wary about the level of US inflation. This was measured at showing a 4.9 per cent increase in the second quarter compared with 4.0 per cent in the first quarter.

The dollar closed at DM1.8690 from DM1.8740 and Y138.85 from Y140.55. Elsewhere, it finished at SFr1.6075 from SFr1.6130 and FFr6.3300 **CIN NEW YORK**

July 27	Latest.	Previous Close					
£ Spot	1,6580-1,6590 0,66-0,65pm 1,95-1,92pm 7,40-7,30pm	1,6585 - 1,6595 0,68-0,66pm 2,02-1,97pm 7,10-6,95pm					
Forward premiu	uns and discounts as	ply to the US dollar					

	TERLIN		
		July.27	Previous *
8.30 9.09 10.00 11.62 Noon 1.00 2.00 3.00 4.00	300	93.2 93.2 93.3 93.4 93.5 93.4 93.3 93.4	925 927 926 926 931 931 931 930 930

CURRENCY RATES						
July.27	Bank rate	Special® Drawing Rights	European † Correccy Unit.			
French Franc tailan Lira Japanese Yen Norway Krone Spanish Peseta Swedish Krona Swedish Franc Greek Drach Irish Pent	9588 25 55 8 5588 25 55 8 5588 25 55 8	1.28754 1.27694 1.51394 1.51394 16.8991 50.3190 9.33516 2.40197 2.40197 8.14522 1731.27 180.502 8.2365 150.620 8.21796 2.06278 N/A	1.49636 1.11204 1.31532 14.6188 43.4834 8.07393 2.07623 7.03473 1495.02 7.6253 130.364 7.10479 1.78913 179.738 0.778246			
# Sterling quote † European Com • All STIP rates	miy.dos i	Calculations,	ECU.per &			

CURRENCY MOVEMENTS					
July.27	Bank of England Index	Morgan ^a Gearanty Changes %			
Sterling U.S. Bolder Casadian Bolder Austrian Schriffing Beiglan Franc Dasich Krone Destsche Mark Series Franc Gelitier French Franc Liva Yen	93.4 69.1 103.7 106.6 106.2 103.7 113.2 107.8 110.5 99.7 99.9	-18.3 -8.7 -49.8 -5.9 -1.1 -20.8 -15.5 -15.5 -18.3 -469.4			
Morgan Goaranty 1982=100. Bank of	changes: a England index	verage 1980- (Base Average			

Morgan Godranty changes: average 1980- 1982 - 100. Bask of England Index (Base Average 1995 - 1000 Plates are for July 26.						
July 27	£	\$				
Argentina Assentina Assentina Brazili	119.00° 1101.45-1110.35	650.00 - 665.00 1.3000 - 13210 1.3025 - 1.3210 1.42110 - 4.2130 161.90 - 164.50 7.8840 - 7.8660 7.8940 - 7.8660 7.9940 - 0.29510 39.10 - 97.20 2.6605 - 2.6635 2525 90 - 2535.00 1.7800 - 17110 1.7500 - 3.7510 1.7500 - 3.7510				

MON	EY MA	RKETS	-
	°Selling rati		Yen per
S. Af (Fe) Taiwan U.A.E		4,1070 - 4,1930 25,75 - 25,80 3,6720 - 3,6730	8 Fr.
Singagore S. Af (Cm)	3.2350 - 3.2420 4.3910 - 4.4025	1,9545 - 1,9565 2,6540 - 2,6570	LJra C.S
N. Zealand Saudi Ar	2.8290 - 2.8350 6.2065 - 6.2095	1.7680 - 1.7110 1.7500 - 3.7510	H FI.
Malaysia	4.3975 - 4.4090 4182 65 - 4201 75	2.6605 - 2.6635 2525.00 - 2535.00	Š fr.

London rates lower

outright purchases of eligible bank bills in band 1 at 13% per

cent. Late help came to £10m. In Frankfurt, the Bundes-bank left its lending rates

unchanged after yesterday's

meeting of the central council. The next meeting is not sched-

uled until August 24, and yes-terday's decision is seen as a

rubber stamp for stability in

West German interest rates for

the time being.
Meanwhile, short-term

liquidity levels remain tight as

funds are drained by end of

month salary payments. How-ever, traders feel that commer-

cial banks may still have suffi-cient funds to meet end of

month minimum reserve requirements with the central

In Amsterdam, the Dutch central bank added Fl 2.04bn

through its latest seven-day

special advances facility at a fixed rate of 7.1 per cent. This replaced a maturing agreement of just Fl 371m, but the injec-

tion of extra funds is considered to be necessary to meet

day-to-day requirements, and is not regarded as indicating a

shift in monetary policy.
In New York, the US Federal

Reserve made four-day matched sale and repurchase

agreements, arresting the decline in overnight Federal

funds. At the time of the inter-

vention, short-term money was

quoted at 9 per cent compared

with 8% per cent on Wednes-

UK INTEREST rates were the afternoon of £106m through lower in London yesterday as the pound continued to improve. The trend in rates appears now to be largely dependent on the performance of sterling. Domestic considerations are now seen as suggesting that the current level of rates is high enough to contain excessive growth in consumer spending, money supply and inflation. Three-month interbank money was quoted at 13%-13 per cent compared

UK clearing bank base leading rate 14 per cent trum May 24

with 13%-13% per cent on Wednesday while the one-year rate slipped to 13%-13% per cent from 13% 13%.
The Bank of England fore-

cast a shortage of around £100m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of any late assistance draining £225m. There was also a rise in the note circulation of £20m. These were culation of £80m. These were partly offset by Exchequer transactions which added £140m and banks' balances brought forward £70m above

target.
The forecast was revised to a shortage of around £150m, but the Bank gave no assistance in the morning. A further revision took the forecast to a shortage of around £200m, and the Bank gave assistance in compared with FFr6.3475. On Bank of England figures, the dollar's exchange rate index fell to 69.1 from 69.7 on

The D-Mark continued to suffer from the effects of positions built up before the results of the elections in Japan. Investors continued to take profits, and pushed the D-Mark lower. Sterling finished at its best

level for two months on its exchange rate index. The latter rose to 93.4 from 93.0 on Wednesday. The pound is regarded by many investors as offering a very attractive pack-age. UK interest rates are unlikely to fall in the near term while the dollar and the yen are both regarded as a poor bet for investors at the moment. Furthermore, the pound is unlikely to come under pressure from the release of further economic

data in the short-term, since none is due for at least another

The pound closed at \$1.6600 from \$1.6500 and DM3.1025 against DM3.0925. It broke through resistance at DM3.0950 for the second day running, but this time, investors expect the pound to establish itself above this level. Elsewhere, it finished at SFr2.6675 from SFr2.6625 and FFr10.5075 com-

pared with FFr10.4725.
Elsewhere, the D-Mark lost ground against the yen, as the latter recovered on profit taking. The D-Mark finished in London at Y74.29 from Y75.01

on Wednesday.

Later trading in New York
saw the dollar recover on continued short-covering. Much of the recovery was based on short term investors covering positions after the US unit failed to prolong an initial

EMS EUROPEAN CURRENCY UNIT RATES							
	Ecu castral rates	Currency amounts against. Ecq July. 27	% change from central rate	% change adjusted for divergence	Dhergesce fimit %		
Bekglan Franc Danish Krone Bernan D-Blank Bernan D-Blank Bernan D-Blank Brouch Gullder Frish Pack Latian Lira Boacksh Peceta	42.4582 7.85212 2.05853 6.90403 2.31943 0.768411 1483.58 130.000	43,4834 8,07393 2,07673 7,03473 2,34250 0,778246 1495,02 130,364	+241 +282 +0.88 +1.89 +0.28 +0.77 +0.77	+1.04 +1.45 -0.49 +0.52 -0.38 -0.09 +0.03	±1.5424 ±1.6419 ±1.1019 ±1.3719 ±1.5019 ±1.6699 ±4.0815		
hanges are for Ecs, the Mjustiment calculated by	ranges are for Eco, therefore positive change denotes a weak currency dissingent calculated by Finguital Tisses.						

27.واها	Day's spread	Close	Or meth	%	Three mostly	% p.a.
ada	1,6540 - 1,6660 1,9610 - 1,9670	1.6595 - 1.6605 1.9610 - 1.9620	0 69-0.65cpm 0.31-0.21cpm	4.88 1.59	2.02-1.98pm 0.84-0.70pm	4.83
erland:	3,491, 3,501,	3494-3.504	2-17-cpm	166	54-51200	13
	64.70 - 65.10	64.90 - 65.00	31-22cpm	5.45 5.53	88-83jpm	5.27
mark	12 034, - 12 09	12.06 - 12.07	54-55 green	5.53	16 4 16 4 ps	5.49
od	1.1595 - 1.1655	<u>1.1630</u> -1.1640	0.45-0.40 apm	4.39 7.01	125-1.15pm	4.13
ermany	3.094 - 3.104	3.10-3.10½ 259.30-260.30	14-14 prom 7-27 cds	-679	41-41-pm 104-157db	5.56 -2.01
اعوم	258.65 - 260.30 194.10 - 195.30	194 70 - 195.00	8-15cds	-0.71	29-4745	-0.78
	222612 223712	22324 - 22334	4-2lirepm	141	9-700	143
ray	11.364 - 11.404	11 384 - 11.394	2%-24 orem	290	74-6500	2.41
ECE	10.4812 - 10.524	10.504 - 10.514	41,-41,com	4.78	12 11 5 10	4.50
den	10.59% - 10.62%	10:607 - 10:614	17-15-00	1.98	43,45 pm 44,45 pm	1.74
#1 112	230 - 231 4 21.80 - 21.85	230 - 231 21.82 - 21.85	14-14-70m 114-94-90m	8.23 584	323-30 cm	813 5.77
2001	2664 - 2674	2664-2674	15-13-con	6.47	4 k-4 kpg	6.47
	14825 - 14960	1,4950 - 1,4960	0.60 0.57cpm	4.69	1.66 1.61pm	437
_	ster taken towark t	he end at Landon tr	riina Relatan ratu	k comer	tible fraces. Floa	ecial franc
MC PART	Character (Section)	lollar 3,89-3,84com	12 mosts 7 15.7	/5ma		

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DOLL	AR SPOT-	FORWAR	D AGAIN	IST T	LHE DOF	LAR
July.27	Day's spread	Clase	One month	% 0.3	Three moeths	% 63_
ikt relandt anada eleberlands belgium bermank W. Germany artugal galn lany artugal argue a	1,6540 - 1,6660 1,4225 - 1,425 1,6224 - 1,1945 2,1910 - 2,1160 99,00 - 39,30 7,25 - 7,29 1,8600 - 1,5405 1,540 - 1,540 1,540 - 1,540 1,54	1.6595 - 1.6605 1.4250 - 1.4250 1.1830 - 1.4250 2.1070 - 2.1080 39.10 - 39.20 7.26\(\frac{1}{2}\), 7.27 1.8565 - 1.8695 1.56.80 - 156.90 117.45 - 117.55 1344\(\frac{1}{2}\), 1345\(\frac{1}{2}\), 6.85 - 6.86\(\frac{1}{2}\), 6.32\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.34\(\frac{1}{2}\), 6.34\(\frac{1}{2}\), 6.34\(\frac{1}{2}\), 6.35\(\frac{1}{2}\), 6.31\(\frac{1}{2}\), 6.31\(\frac{1}{2}\), 6.31\(\frac{1}{2}\), 6.31\(\frac{1}{2}\), 6.33\(\frac{1}{2}\), 6.33\(\frac{1}2\), 6.33\(\frac{1}2\), 6.33\(\frac{1}2\), 6.33\(\frac{1}2\), 6.33\(\frac{1}2\	0.69-0.86-pm 0.13-0.36-pm 0.31-0.36-pm 0.31-0.36-pm 1.50-0.35-pm 0.32-0.30-pm 0.32-0.30-pm 0.32-0.30-pm 0.32-0.30-pm 0.32-0.30-pm 1.51-1.2-pm 1.51-1.2-pm 1.62-0.3-pm 1.51-1.63-pm 0.45-0.3-pm 0.45-0.3-pm 0.25-0.2-pm 0.25-0.2-pm 0.25-0.2-pm	483 938 1057 957 157 157 158 148 158 148 158 158 158 158 158 158 158 158 158 15	28-1926 28-1936 28-	484 484 3.6334 6.534 6.537 7.255 3.44 8.75 6.45 6.35 7.25 8.75 8.75 8.75 8.75 8.75 8.75 8.75 8.7
ocemercial r resident and rancs. Floar	ates taken towards to discounts apply to t clai franc 39,20-39.	te end of Leadon trad be US dollar and not 30.	ilag.† UK and freia to the Individual e	nd are qui surrency. I	oted iz US correnc Belgian rate is for	y. Foresti convertible

July.	z	Short term	7	Days otice	Gae Month		7arer Iontis		8	One Year
O. Guilder Sw. Franc Deutschmar Fr. Franc Halian Lire B. Fr. (Fw) B. Fr. (Con Yen O. Kruse Asian \$Sing										
<u> </u>		EX	CHA	NGE	CR)\$\$	RATE	\$		
July.27	£	5	DM	Yes	F Fr.	S Fr.	H Fi.	Lira	C S	B Fr.
£	1 0,602	1.660 1	3.103 1.869	230.5 138.9	10.51 6.331	2.668 1.607	3.498 2.107	2233 1345	1.962 1.182	64.95 39.13
ON YEN	0.322 4.338	0.535 7.202	13.46	74.28 1000.	3.387 45.60	0.860 11.57	1.127 15.18	719.6 9688	0.632 8.512	20.93 281.8
				_		_				

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 812-835 per cent; three years 812-812 per cent; how years 812-812 per cent; fine prs 814-815 per cent pominal. Short term rates are call for US Dollars and Japanese Ven; others, two days' outles.									
	E	CHA	NGE	CR) SS	RATE	\$		
£	\$	DM	Yes	F Fr.	S Fr.	HFI.	Lira	C S	B Fr.
1	1.660	3.103	230.5	10.51	2.668	3.498	2233	1.962	64.95
0,602	1	1.869	138.9	6.331	1.607	2.107	1345	1.182	39.13
0.322	0.535	13.46	74.28	3.387	0.860	1.127	719.6	0.632	20.92
4.338	7.202		1000.	45.60	11.57	15.18	9688	8.512	281.8
0.951	1.579	2.952	219.3	10.	2.539	3.528	2125	1.867	61.80
0.375	0.622	1.163	86.39	3.939	1	1.311	837.0	0.735	24.34
0.286	0.475	0.887	65.89	3.005	0.763	1	638.4	0.561	18.57
0.448	0.743	1.390	103.2	4.707	1.195	1567	1000	0.879	29.09
	\$ 1,0,602 0,322 4,338 0,951 0,375	£ \$ 1,660 1 1 0,535 7,202 0,535 0,522 0,535 0,522 0,535 0,522 0,536 0,475	EXCHA 5 S DM 1 1,660 3,103 1 869 0,302 1 1,869 0,322 0,535 1 1,346 0,951 1,579 2,952 0,375 0,622 1,143 0,386 0,475 0,887	EXCHANGE 5 S DM Yes 1 0.602 1 1.660 3.103 230.5 1.869 138.9 0.322 0.535 1 74.28 4.338 7.202 13.46 1000. 0.951 1.579 2.952 219.3 0.375 0.622 1.163 86.39	EXCHANGE CRC \$ 0M Yes FF. 1 0.602 1 1.660 3.103 230.5 10.51 0.602 1 1.869 138.9 6.331 0.322 0.535 1 3.46 1000.4 45.60 0.951 1.579 2.952 13.46 25.00 0.951 1.579 0.622 1.163 86.39 3.939 0.366 0.475 0.887 45.89 3.005	EXCHANGE CROSS \$ DM Yes F.Fr. S.Fr. 1 0.602 1 1.660 3.103 220.5 10.51 2.668 138.9 6.331 1.607 0.322 0.535 13.46 1000 45.60 11.57 0.951 1.579 0.622 11.63 86.39 3.99 1 0.366 0.675 0.887 45.69 3.005 0.763	EXCHANGE CROSS RATE \$ 0M Yes F.Fr. S.Fr. H.Fs. 1 0.602 1 1.869 138.9 6.331 1.607 2.107 0.322 0.535 1 1.46 1000. 45.60 11.57 15.18 0.951 1.579 0.622 1.13 86.39 3.999 1 1.331 0.366 0.475 0.887 65.89 3.095 0.763 1	EXCHANGE CROSS RATES 5 S DM Yem F.Fr. S.Fr. H.Fi. Lira 1 0.602 1 1869 1389 6.331 1.607 2.107 1345 0.322 0.535 1 74.28 1387 0.880 11.57 15.18 9688 0.951 1.579 0.622 13.46 1000 45.60 11.57 15.18 9688 0.951 1.579 0.622 13.43 86.39 10. 25.39 13.11 1311 837.0	EXCHANGE CROSS RATES 5 DM Yem F.Fr. S.Fr. H.Fi. Lira C.S. 1 0.602 1 0.609 138.9 6.331 1.607 2107 1345 1182 0.322 0.535 1 7.202 13.46 1000 45.60 11.57 15.18 6638 8.532 0.951 1.579 0.622 1.143 86.39 3.399 1 1331 857.0 0.735

FT L	NDON INT	ERBANK	FIXING	_	
0 a.m. July.27)	3 months US dollars	6 months US Dollars			
d 811	otter 811	M 84	gaffer 85 _k	I	

The fizing rates are the arithmetic means reserved to the neurest one-circlests, of the bid and offered rates for \$100 outside by the wartest to five reference basis at 11.00 a.m. each working day. The basis's are Resident

	N	IONE	RAT	ES		
NEW YORK			Treasury	Bilis and	Bonds	
Comparison					7.72 7.74 7.83	
July.27	Overnight.	Gne Month	Two Months	Three Months	Sty Moeths	Lombard Intervestion
rantriuri Paris S	6.75-685 91-91-61-65 61-65 6.81-694 521-52 121-121- 8.15 91-91	6.85-7.00 97-71 7.02-7.12 52-5-12 124-124 81-81 91-94	6.85-7.00 94-94 - - - 94-94	6.85-7.00 9-94 7-74 7.08-7.18 54-54 12-13 82-84 94-10	6.85-7.05 9-91 10-101	7.00 8.75 - - - -

				1			
LONDON MONEY RATES							
July. 27	Oversight !	7 days notice	Dae Month	Three Mosths	Six Months	Date Year	
Interbank Offer Interbank Bld Sterling CDs. Local Authority Deps. Local Authority Deps. Local Authority Bonds. Discount Mikt Deps. Company Deposits Finance House Deposits Treaksuy Blils (Buy) Bank Bills (Buy) B		134 134 134	1911 - 400 -	11111 . 111111 - 888888 11111 - 111111 - 888888	2222	127 127 127 127 127 127 127 127 127 127	
SUN Linked Dep Brie							

FINANCIAL FUTURES

Bullish tone retained

any opportunity to relate opti-mism into position taking is likely to show through in the December contract. Here the

price rose by eight ticks to 87.35, thus increasing the spread between September and

December contracts.
US Treasury bond futures appeared to be motivated by

PRILADELPHIA SE 5/5 OPTRIM 531,250 (coats per 51)

97-23 97-17 97-12 97-02 96-24 96-18

CHICAGO

data, preferring to ignore the underlying rise in inflation as measured by the implicit price

deflator. Despite this, the mood of the market remains bullish,

given recent indications that the US Federal Reserve is

allowing interest rates to fall further. The September US

Treasury bond contract rose to

98-00 from 97-27 at the start and

126 126 136 0.88 0.71 0.55 0.42 0.33

Eschwated volume total, Calls 2837 Pots 1229 Previous (127's open int. Calls 26627 Pots 21623

High Low Pres. 0.7255 0.7212 0.7178 0.7310 0.7268 0.7232 0.7340 0.7325 0.7283 0.7334

jer ONI Latest High Low Pres. 0.5397 0.5382 0.5336 0.5371 0.5386 0.5400 0.5379 0.5347 0.5329

High 91.67 92.04 92.23 92.19 92.08 91.88 91.79 91.72

Sep 0.03 0.06 0.13 0.30 0.58 0.96 1.41

97-25 on Wednesday.

LIFFE BUIES FUTURES OPTIONS DM258,000 points of 100%

SHORT STERLING futures finished down from the day's highs in Liffe trading yesterday but up from the close on Wednesday. The September contract opened higher at 86.48 from 86.42, and touched a high of 86.54 before slipping back to 86.45 at the close. The September contract is still regarded as heigh expensive in relation to being expensive in relation to

11FFE LA 550,000	MG GILT FUTURES (14ths of 180%	19T39(15)	1196,986 \$198,986	Treasury band 64th of 199%	PUTURIES OPTIONS
Strike Price 93 94 95 96 97 98 99 Estimated Previous s	Calis-settlements Sep Dec 3-49 2-63 1-54 2-18 1-03 1-42 0-32 1-10 0-13 0-52 0-05 0-34 wolume total, Calis 1-24 ay's open lot, Calis 1-24 ay's open lot, Calis 1-24	Puls-settlements Sep Dec 0-21 0-02 0-21 0-03 0-33 0-05 0-52 0-21 1-12 0-50 1-44 1-31 2-22 2-23 3-04 1-569 Puls 2977 569 Puls 2976	Surface Price 92 94 96 98 100 102 104 Estimated Previous d	Calls-settlements Sep Oct 6-02 6-11 4-03 4-32 2-10 3-03 0-49 1-58 0-13 1-97 0-03 0-39 0-02 0-21 volume total, Calls 37's open Im. Calls 37's open Im. Calls	Past-settlements Sen Dec 0-622 0-23 0-403 0-44 0-100 1-15 0-49 2-13 3-19 4-03 4-51 6-02 6-53 132 Pasts 3747
Previous d	ay's open lot. Calls 17: 5 09THENES conts per 513	569 Pais 24066	Previous d	ay's open Im. Calls 28 Roode LAR OPTENS is of 180%	946 Puts 3147
Strike Price	Calls-settlements Any Sep	Pets-settlements Arg Sep	Strike Price	Calls-settlements Sep Dec	Puts-settlement Sep Dec

9,90 9,14 1,29 4,62 9,32

11.05 6.05 2.85 1.07 0.30 0.06

٠	Estimated Previous d	yolune tot Waqoo let	ai, Calis 6 Calis 196	Pais 0 Pais 23	
	LOND)N (LIF	FE)		
		4% NOTES 12mb of 181			
	Sep Dec	Gose 96-23 96-15	High 97-06 96-26	Low 96-22 96-23	9
•	Estimated Previous d	volume 280 Jay's open in	60 (17313 L. 29136 (1 285871	
		7 7% NOTE 2nds of 190		' <u> </u>	
3		Close	High	[OX	

	Previous o	rak,e obeu ju	c, 29136 (285871	
•	7-18 YEA 550,000	7 7% NOTE 12nds of 100	MAL SE	T	
-	Sep Det	Close	High	(or	Pre
		10kume 0 ti lay's open in			
	US THEAS \$100,000	SURY BORDS 32nds of 19	10%		_
	Sep Dec Mar	98-00 97-26	High 98-07	Low 97-27	97-2 97-1
		volgane 234 lay's open in		072)	
	6% 1931 04250,66	BILLA CERM O 109ths of	198%	POHO	
	Sep Dec Mar	Gast 95.62 95.61 95.52	High 95.74 95.73	1.09 95.60 95.62	Pres 95.6 95.6 95.5

<u>.</u>	Sep Dec Mar	95.61 95.61 95.62	95.74 95.73	95.60 95.62	95. 95. 95.
22	Estimated Previous d	wakuwe 163 ay's open in	20 (14223 L 41067 (1 405140	
3		MAL LONG Pro 1880s		AMESE GL	WT.
14 H	Sep Dec	Close 105.84 105.29	High 105.90 105.32	Los 105.82 105.30	Pr 105. 105.
277		Wikine 493 ay's open in		9	
1	THREE M 2590,000	MIE STER peints of 10	LDIG 19%		
2. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.	Sep Dec Mar Jon	Close 86.45 87.35 88.11 88.50	High 86,54 87,45 88,20 88,54	66.45 87.34 88.11 88.51	Pr 25 27 28 28 28 28
-	Est. Vol. (Previous d	ins. figs. oc ay's open in	l stowe) 2 L 91953 f	8021 (273 90414)	a)

هجول	98.50	85.24	99.31	60,52				
Est. Vol. Previous	Cing. figs. oc day's open in	d showed : L 91953 (8021 (273 190414)	ED)				
THREE I	THREE MINITH EURODOLLAR Sim points of 160%							
Sep Dec Mar Jun	Close 91.62 91.98 92.16 92.11	91.66 92.02 92.21 92.21 92.18	91.54 91.91 92.15 92.14	Prov. 91.51 91.85 92.12 92.11				
Est. Vol. Gac. figs. not showed 1,0403 (3725) Previous day's open lat. 49200 (48865)								
TRACE I	THEFE MONTH EUROMARK 986 Las prints of 198%							
Sep Dec Mar Jun	Gee 93.27 93.38 93.53 93.55	High 93.30 93.42 93.58	93.25 93.37 93.50	Res. 93.23 93.33 93.53 93.55				
Estimated volume 3767 (1721) Previous day's open let. 14067 (14700)								
FT-SE 16	FT-SE 100 DUDEX S25 per fall lexics point							
Sep Dec	2312.0 2357.0	High 2324.0	2310.0	2301.0 2346.0				
Estimate	1 Tralama 226	A (1671)						

FT-SE 100 525 per fa	DIDEX I inter pole			
Sep Dec	Cless 2312.0 2357.0	High 2324.0	Low 2310.0	Prev. 2301.0 2346.0
Estimated Previoes da	rojemė 2268 V's open let,	(1671) 19440 (1	9220	
POURD-S (PONEJEN EX	CHANCE		
Spot 1,6600	1-mth. 1.6533		6-mts 1.5914	12-mth. 1-5890
BAN-STEE	DNE Ss per :			
Sep Dec Mar Jon	Latest 1.6462 1.6270 1.6100 1.6000	High 1.6550 1.6390 1.6170 1.6000	Low 1.6460 1.6270 1.6100	1.6468 1.6276 1.6108 1.5958
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		Oct	. 89		n. 9 0	Ap	r. 9 0	
ABN C ABN P	F1. 45	2255	240	601 81 13	3.40	19	4	Fl. 46.2
Acqua C	FI. 45 FI. 100 FI. 110 FI. 125 FI. 130 FI. 150 FI. 60 FI. 90	947 452 98 147	1.60 8.80	""	2 50	l =	ì = '	Fl. 46.2 Fl. 107.6
Aegon P	F1. 110	798	4 80	1 1	77.50 5.50	l -		I FI 107 <i>4</i>
Ahold C	FI. 125	147	4 80 9 30	21 108 118	6.50	l -	l	FI. 130.9 FI. 130.9 FI. 143.4 FI. 143.4
Abold P	F1. 130	l 3	L 3.80	108	6.50	-		Fi. 130.9
Ak20 C	F). 150	1641	4.20	1 77%	7.40	25 14	10.20	FJ. 143.4
Altzo P Amer C	FI. 130	181 241 132 830 102 214 161 438 99 254 34 203 78	7.50 1.20	40	940	1 72	ישבטיי	1 1 123.7
Arney P	FI. 50	132	0.60	۱ő	150		1	1 8 56 2
Amiro C	FI. 90	830	0.60 4.20 a 0.60	21	260 150 590	20	7.10 b	FI. 55.4 FI. 55.4 FI. 52.1 FI. 53.9 FI. 130.2 FI. 132.5 FI. 132.5 FI. 132.5 FI. 132.6 FI. 52.6 FI. 52.6 FI. 52.6 FI. 53.6 FI. 53.6
Amro P	FI.80 FI.60 FI.55	102	0.60	-		. –	1 -	FI. 92.1
DAF N.V. C	FI. 60	<u> </u>			2.90	6	4	FI 54.9
DAF N.V. P N.V. DSM C	F1.33	107	2 4 6 1.60 2.50 8.80 3.50	1 #	6.50	ī	n	F1. 54.9
N.V. DSM C	Fl. 140 Fl. 130 Fl. 35	(736 66°)	ί ቪ.	(=			8.20	E 130 1
N.V. OSAL P Gist-Broc. C	FI. 35	254	1.60	525	3 3.50 11 5.10 a 9.20 9.20 5.60	34	4.10	FI. 33.4
Gist-Bros, P Heineken C	FI. 35 FI. 130 FI. 130 FI. 125 FI. 110 FI. 50	34	2.50	525 110	3.50	34 5 2 -	14	FI. 33,4
Heineken C	F1. 130	203	B.80	26 21 55 7 57	1 11	2	13	FI. 134.5
Heineken P	FI. 130	1 <u>. 7</u> 5	3.50 5.10		1 2.10 a	-	1 - 1	FI: 134.5
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KLM P	Fl. 45 Fl. 60	529	0 70 1.80] - -	[]	100 20	6.60 1.70	FI. 52.6
Hoospiters P KLM C KLM P KNP C	FI. 60	306 529 163 287 84 738 528 2803	1.80	38 3 4	2.70 b	20	4	FI. 54.8
KMPP	FI. 55 FI. 470	297	2.50	?	[3.50 a l	- 1	1 - 1	FI. 54.8
NEDLLOYD C Nat. Ned. C	Fl. 470	722	15 3.70	275	20	=	6.50	F1, 450.8
Nat. Ned. P	Fi 65	158	160	225 10 1694	13%	3 14	250	
Philips C	Fi. 45	2803	2.10	1694	3 20	54	46	Fila
Phillips P	FI 40	655 634	2.10 a	, 7h	2.70 b 3.50 a 28 5.30 2.20 3.20 1.90 4.10	54	2.60	FI. 4 FI. 141.7 FI. 151.7
Rosal Datch C	FI 150 FI 140 FI 150 FI 150	634	2.10 a	50 52 30 8	4.10	_	i	FI. 141.7
Royal Dutch P	F1. 140	295 235 523	4 20	1 52	5.50 8.80	<u> </u>	h. ==	FJ. 141.7
Unilever C Unilever P	FI 150	쌣	6.50 3.40	%	1 4 5	?	11.50	FI. 151.7
Dillican L	239	1 222	2.70		الجيا		1	rs. 131,/

14.80 1.50 1.50 1.50 1.50 1.70 1.10 2.320 5.70 8.70 6.20 3.20

EUROPEAN OPTIONS EXCHANGE

 Vol
 Last
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 Vol
 Last

 \$ 370
 255
 10

 \$ 390
 110
 1.20
 198
 9

15.50 13.50 7.50 7.50 5.20 4.80 6.30 9.10 12 7.20 5.20

FI.50 | 270 | 2.30 | 2 | 3.50 | FI.45 | 260 | 2.10 | - | - | FI.90 | 103 | 2.50 | 5 | 3.50 | TOTAL VOLUME IN CONTRACTS : 57,743 C = Call

BASE LENDING RATES

		%	%	
	ABN Bank		Clydesdale Bank 14	MatWestminster
	Adam & Company		Comra. Bk. N. East 14	Northern Bank Ltd 14
	AAB - Allied Arab Bk	14	Co-operative Bank *14	Horwich Gen. Trest 14
	Allied Irish Bank	14	Coutts & Co 14	PRIVATbanken Limited . 14
đ	Henry Aeshacher	14	Cyprus Popular Bt 14	Provincial Bank PLC 15
	Associates Cas Corp	14	Durbar Bank PLC 14	R. Rapkael & Sons 14
	Authority Bank		Duncas Lawrie	Rosburghe G'rantee 14
ı	8 & C Merchant Bank	14	Equatorial Bank pic 14	Royal Bk of Scotland 14
	Bank of Baroda	14	Exeter Trest Ltd 145	Royal Trest Bank
	Banco Bilban Vizcaya	14	Financial & Gen. Bank 14	O Smith & Williams Sees 14
	Bank Hannalim	14	First National Bank Pic. 15	Standard Chartered 14
	Bank Cresit & Corom	14	Robert Fleming & Co 14	158
	Bank of Cypns		Robert Fracer & Ptors. 1415	United Bit of Kowait 14
	Bank of Ireland		Giroback 14	Couled Mitrahi Bank 14
	Bask of India	14	€ Guinness Makea	Unity Truck Bank Plc 14
	Bank of Scotland	14	HFC Bask pic 14	Western Trest
	Banque Belge Ltd	14	Hambrus Bank 14	Westpac Basi Corp 14
	Barclays Bank	14	Heritable & Ges Inv Seit 14	Whiteaway Laidlan 14
	Benchmark Bank PLC		● Hill Saragel §14	Yorishire Bask14
	Berliner Basik AG	14	C. Hoare & Co	- 7 6004 шинини 67
	Brit Ble of Mid East	14	Hongkong & Sharegh 14	
0	Brown Shiptey	14	C Leopold Joseph & Sons 14	O Members of British Mercha
	Business Mitge Tst	145	Lioyds Bank 14	Banking & Securities House
	CL Bank Nederland	14	Meghraj Bank Ltd 14	Association. * Deposit now 5.9
	Central Capital		McDonneli Douglas Bok 14	Savewise 8.5%. Top Tier-£10,00
•	Chartetonice Rank		Midland Rank 14	

base rate. § Demand de

Die Erste österreichische Spar-Casse-Bank First Austrian Bank

blished in Austria with lemand liability in 1819)

US\$50,000,000

Subordinated Floating Rate Notes Due January 1992

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from 31st July, 1989 to 31st January, 1990 the Notes will carry an interest rate of 834% per annum. On 31st January, 1990 interest of US\$447.22 will be due per US\$10,000 Nominal against Coupon No. 12.

> Agent Bank **ORION ROYAL BANK LIMITED** Amember of The Royal Bank of Canada Group

SPONSORED SECURITIES Yield % 3.0 9.2 10.3 340 295 38 28 35 25 200m 123 96 Bray Tech

8.5 34.2 8.5 3.5 3.6 12.4 9.4 110 109 Carbo 7.5% Pref (SE) DMWSL 033(Magnet)Hew A Care
DMWSL 033(Magnet)New B Core Jackson Group (SE) ... Multibrace NV (AmstSE) 7.1 51 4.0 12.4 3.2 10.1 9.4 -2.7 11.1 7.4 10.0 140m 465m 289 114 103 125m 390 335 18.7 9.3 10.7 2.7 9.3 Torday & Carlisle Treviae Holdings (USM) Unistrut Europe Conv Pref 22.0 16.2 355 Veterlaary Drug Co. Ltd ... Securities designated (SE) and (USM) are dealt in subject to the rules and req

Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA.

These Securities are dealt in strictly on a matched burgain basis. Neither Granville & Co.

Limited nor Granville Davies Limited are market makers in these securities.

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Granville Davies Lineted

It Long Lane, London ECIR 889

Telephone 01-621 1212

ember of the Stock Exchange & TSA

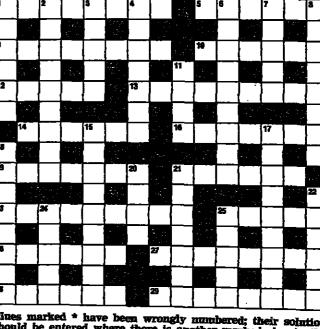
CITICORP BANKING CORPORATION U.S.\$50,000,000 Floating Rate Notes due July 29, 1991

Notice is hereby given that the Rate of Interest for the period July 28, 1989 to October 30, 1989 has been fixed at 9.0125% and that the interest payable on the relevant Interest Payment Date, October 30, 1989 against Coupon No. 13 in respect of US\$10,000 nominal of the Notes will be US\$235.33. July 28, 1989, London By: Cribank, N.A. (CSSI Dept.), Agent Bank CITIBANC

JOTTER PAD

CROSSWORD

No.6,997 Set by CINEPHILE



Clues marked * have been wrongly numbered; their solutions should be entered where there is another marked clue in that section of the diagram where provision has been made for them (see 12 and 25 across, and 11 and 20 down). 4 Walk unsteadily from singular mess (7) 6 1,000 garlands arranged

ACROSS
1 Indonesian who goes further north when President replaces Vice (8)

5 Greek king in mythology gesticulating (6)

*3 Sees land, possibly, and slippers on the beach? (4,4)

*10 Witch has soldiers boiled in skin (5)

12 Provision for South Advisory

12 Provision for South African youth (5)

13 Tryst with unknown, deceptive move, by palm tree (5,4) *14 Nut for rehearsal, Monday

morning (6)

16 I can almost put in the end of the vicious spiral (7)

19 Old Testament rebel stirs mob, alas! (7)

*21 Compiler has followed the

221 Computer has rohowed the last like chicory (6)
23 Bright idea born with falling and rising water (5-4)
25 Provision for one in horse-

racing when backed (5)
*26 Leaper for rehearsal, Monday morning (6)

*27 Essayist getting the sack should be minted (4,4) 28 Dad takes payment him-self, maybe (6) 29 Her cares need investiga-

tion (8)

DOWN

1 Funny boy eating lettuce (6)

2 Scheme among rodents is glicking (9)

3 Investigated numbers for adition (5)

15 Person from Chicago, for example, sick and in love with Scot (9)
17 William, chestnut (we hear) and gold (9)
18 Legislation by ancient British king needs dressing (8)
20 Provision of some attire (4)
21 It's mean to declare how old someone is (7)
22 Gun at church creates stink (6)
24 A month with the Queen is boring (5) boring (5)
25 It's sweet to be evasive (5)
Solution to Puzzle No.6,996

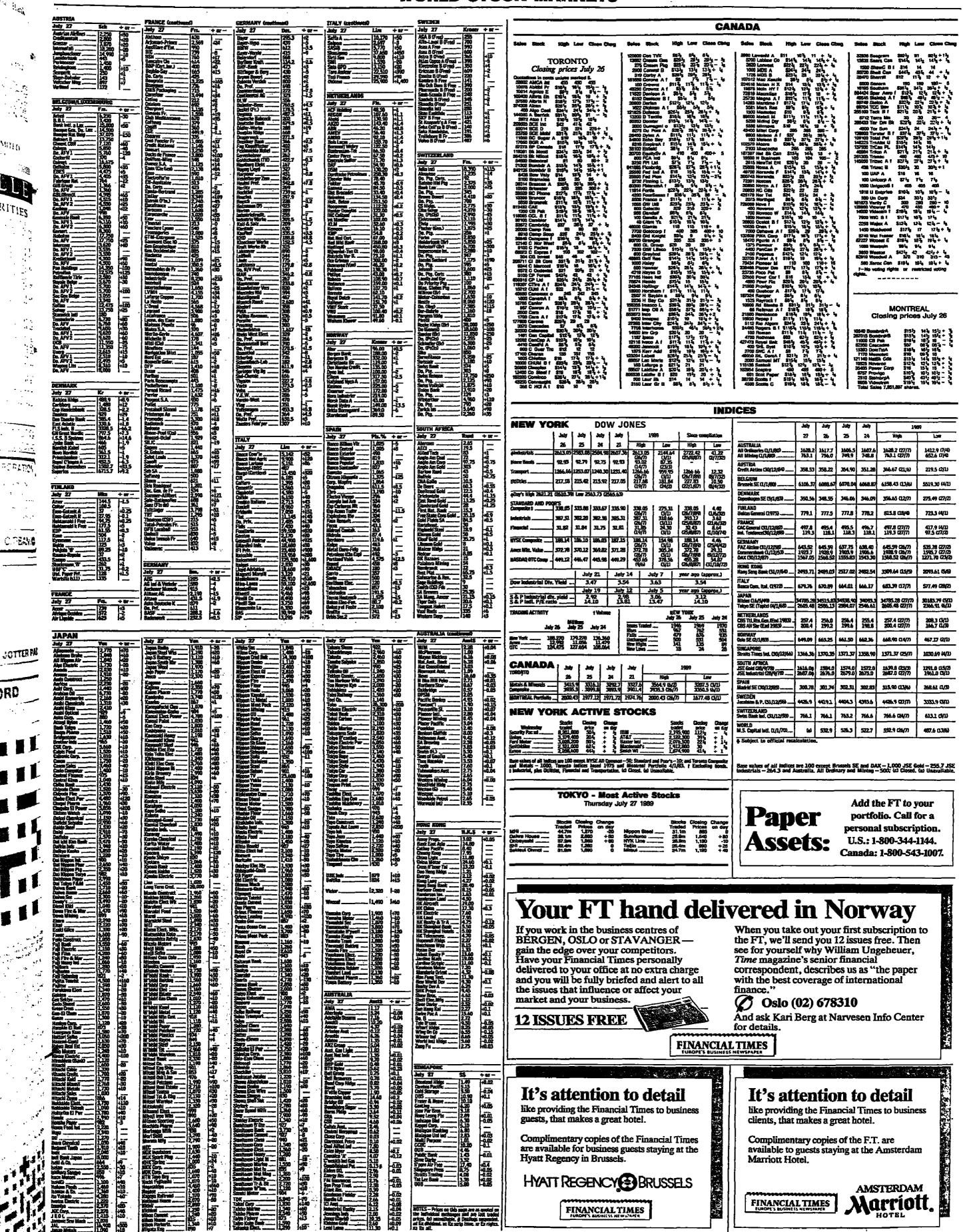
6 1,000 garlands arranged with complete success (5,4)
7 Letter in magazine turned up by graduate (5)
8 Chinese chap upsets a doctor at home (8)
11 Provision for heavy drinker (4)
15 Person from Chicago, for example, sick and in lone

355WORD

FINANCIAL TIMES

FINANCIAL TIMES

WORLD STOCK MARKETS



Ch'ge Cince Prev. Caste Cicso 25 \(\frac{1}{2}\) 48 \(\frac{1}{2}\) - 3 \(\frac{1}{2}\) 48 \(\frac{1}{2}\) - 4 35 + 4 36 + 4 7 - 1 8 | Piche | Short | Dist. | Piche | Dist. | Dist | The control of the

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25 to 7 to 12 to 15 to 1

AMEX COMPOSITE PRICES

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CrCPE 1.19th Cadele
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Construct
Distance
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464 Sundar 1.20
27, Sundar 1.20
27, Sundar 1.10
94, Sundar 1.11
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204, Sundar 1.80
144, Syntac
55 Syntac
1.50
304, Syntac
1.50
304, Syntac
1.50
304, Syntac
1.50
304, Syntac

Block Div.
ATIE CO.
ATIE F42 28e
ACIT F42 28e
BAT 38e

CMF Op Calling I Calprop Chierro g Chierro g Chierro Chigina Chigina Chigina Chigina Constita Constita

100 025446 A4256 6 Bit

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13-37 TacSR
21-3 TacSR

851- UAL CP

251- UAC GP 3.75

174- UAC 2.40

251- UAS F1-US

43 Sinky p8.75
15 Lak
12 UAM 22
214 USmand 22
20 Uille p22
20 Uille p2

AS AS

5篇.伊斯特斯特代刊,"这是我说明是我们们想到为我们的"有什么这些我的人的我们也不会的的好的人也是我们会对这种的人,也是我们也是我们的最后,我们们们的一个人们的

NYSE COMPOSITE PRICES

Nasdaq national market, 2pm prices July 27

OVER-THE-COUNTER | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 Block Div.

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GNP figures prompt further gains

Wall Street

SECOND quarter gross national product figures released yesterday confirmed a deceleration in the economy and helped the equity market advance from Wednesday's highs, writes Janet Bush in

New York.
While the Dow Jones Industrial Average is still about 4 per cent below its all-time high set in August 1987, the broad-ly-based Standard & Poor's 500 index is trading easily above its record highs. The secondary indices on the American Stock Exchange and the Nasdaq over-the-counter market are

also at peak levels. The S&P 500, used as the basis of passive or indexed portfolios worth more than \$200bn, closed at an all-time high of 338.05 on Wednesday and had moved up another 2.15 to 340.20 by midsession yester-day. This compares with the previous record of 336.77 on

At 2 pm, the Dow Jones was quoted 8.54 points higher at 2,621.59 on active volume of

The market's ability to advance yesterday was impressive, given that about half of Wednesday's 29.97 point rise was attributed to stock index arbitrage and can sometimes

yesterday's second quarter GNP figures which showed a little more weakness in the economy than had been expec-ted. GNP rose 1.7 per cent in **NYSE** volume

Daily (million)

be reversed swiftly.
Equities were underpinned

exy **a N**even 151,460,000

the second quarter compared with forecasts of 2 per cent, while first quarter growth was revised down to a 3.7 per cent rise from 4.4 per cent previously reported.

The implicit price deflator rose by a 4.9 per cent annual rate compared with 4.0 per cent in the first quarter while the fixed weight index rose by 5.2 per cent from a 4.6 per cent rate in the first quarter. Both indices rose by slightly less than forecast and, in spite of the fact that both accelerated from the first three months of the year, markets do not appear to be seriously concerned. They appear to have accepted the view of Mr Alan Greenspan, Fed chairman, that the substantial price gains of the first half were attributable largely to supply conditions in the food and energy sectors,

and were temporary. Also fuelling buying of equi-ties has been this week's easing of the Fed Funds range to between 9 and 9% per cent from the previous 9% to 9% per cent. There may be room for a further % point easing before the August 22 meeting of the Federal Open Market Speculative takeover fever

continued to influence the market's strength. The main news yesterday was the agreement to merge Bristol-Myers and Squibb into a health care company with combined 1988 amual sales of \$8.6bn. Under the agreement, Squibb will be merged with Bristol-Myers through a tax-free exchange of shares. The deal is worth more than \$11bn. Bristol-Myers fell

\$3% to \$48% while Squibb soared \$23% to \$111%. Two new issues added to the S&P 500 were buoyed by the usual buying interest as pas-

Canada

THE US GNP figures prompted serious buying in Toronto. The composite index rose 26.7 to 3,961.9 with advances ahead of declines 233 to 179 on volume of 15m shares. Canadian Pacific led the

adjusted to include the new stocks. United Telecommunica-

tions jumped \$3% to \$73%

while Tyco Laboratories added

Paramount Communications

Paramount Communications added \$1 \% to \$59 \% on reports that the company is close to selling its financial services subsidiary Associates Corp for between \$3bn and \$4bn.

Chrysler dropped \$1 \% to \$24 \%, having added \$2 \% on Wednesday when rumours of a restructuring swept the mar-

restructuring swept the mar-

ket. The company was due to

meet managers yesterday to discuss ways of cutting costs. Philip Morris added to this week's considerable gains with a rise of \$% to \$157%. Coca-

Cola, another strong performer this week, added \$% to \$64 but

IBM was down \$1/2 at \$112.

\$1% to \$44%.

actives until mid-morning, rising C\$% to C\$25% on trade of 1.04m shares before the stock was suspended. Speculation in the stock centred on the large European orders which were said to be anticipating news of a possible restructuring.

Political tremors unsettle Bombay

380

375

R.C. Murthy explains this week's sharp setback in share prices

HE 70 kph gale that lashed Bombay at the weekend caused wide-spread damage although the city was not in the eye of the storm. More serious for the stock market were the political tremors, with the epicentre in New Delhi, which have rocked the exchanges and unsettled a programme of capital issues. Bombay Stock Exchange

reacted bearishly as opposition parties demanded the resigna-tion of Mr Rajiv Gandhi, the Prime Minister, after a report by the Comptroller and Auditor-General raised questions over the \$1bn_Howitzer deal with Rofors of Sweden.

Traders at the exchange, India's largest with two-thirds of total trading, were caught unawares by a string of opposi-

The opposition parties had blocked proceedings since Par-liament reassembled on July 17 for the so-called monsoon session, and this was followed by the resignation of 85 opposition MPs in the lower house this week. A programme of agita-tion is planned for August to try to force early elections.

The Bombay stock exchange 30-share index dropped 20 points to 734.17 on Friday and Tuesday (Monday was a holiday) before state investment

and triggered a partial recovery. Yesterday, however, rumours spread that Mr Gandhi had resigned and the market plunged again, losing 20.49 points on the BSE index

to 722.64. The course of events in New Delhi has not gone the way the markets expected. Each time the Bofors contract has come up for discussion over the past two years, the issue has been defused and the Gandhi Government has thwarted opposition moves.

About 80 actively traded shares have borne the brunt of investors' dismay, with the BSE 30-share index down by 9 per cent from its peak of 798.01 on July 5. The 100-share national index, representing all stock exchanges, has fallen by about 8 per cent.

Political uncertainties have overshadowed strong fundamentals, on the basis of which merchant bankers have been planning large public offers of shares and debentures. Monsoon rains have been

timely and well-spread, enhan-cing prospects of a bumper crop for the second year in succession. The Indian economy is poised this year for growth of more than 5 per cent. Corpo-rate results have been good and most blue chip companies have raised dividends.

India Bombay SE Index 100 share

July 1989 On Tuesday, the Bombay Stock Exchange lifted margins by way of cash deposits on sales of 14 speculative shares to 20 per cent from 12.5 per cent and state-owned investment institutions re-entered the market after a lapse of three weeks, making large pur-chases of Tata Iron and Steel, Tata Engineering and Reliance

Industries.
The slide was halted and the 30-share index went up 9 to 743.13 on Wednesday, before dropping again yesterday.

Market bulls argue that the ruling congress party has regained the initiative and take comfort from Mr Gandhi's

statement that he will choose

January. They expect him to rush through parliament cer-tain important bills enhancing the powers of local govern-ments, on which the opposition is on the defensive, to make "power for the people" an important poll plank. Individual investors are still selling to generate cash for subscriptions to blue chip con-vertible bond issues in Septem-

ialiani

the timing of the elections, which have to be held before

ber and October for an estimated Rs30bn (\$1.8bn). Larsen and Toubro, a high technology engineering company that came to the fold of Mr Dhirubhai Ambani last year, is to offer Rs9.2bn in convertible bonds, the largest amount so far, in mid-September.

Merchant bankers are reviewing the public offer schedule of lesser known companies, while some others are reducing the premium of rights issues to make them more attractive Essar Gujarat and Oswal Group are to issue convertible bonds of some Rs5bn each, in addition to Rs10bn by a dozen other companies.

Many people take the view that companies should tap the capital market before the elections, whose outcome is uncertain, so that capital expenditure programmes need not be

Paris steps up smartly as Frankfurt consolidates

MOST bourses ended higher in fairly active volume but profit-taking left Frankfurt slightly weaker, writes Our Markets

PARIS rose briskly, boosted by Wall Street's strength and international and domestic OMF 50 index closed at a day's high of 511.50, up 5.33, and the CAC 40 real time index was up 24.70 at 1,815.85. The opening CAC General reached an all-time high of 497.8, up 1.1.

Gains came in spite of a meeting of the bourse employees' union which caused a two-hour halt in trading of the six blue chips still traded by open outcry. More problems are expected today as the union has called a 24-hour

Turnover yesterday was nevertheless reported to be at least FFr2bn, well up on Wednes-

day's very low FFr1.1bn. Among the big rises, pharmaceutical Sanofi added FFr59 to FFT1.055 after an per cent higher first half sales. Utilities conglomerate Générale des Eaux climbed FFr84 to FFr2,138 on talk of a shake-up in the share structure of Canal Plus, the television channel in which it has a large stake. Another big shareholder, Havas, was up FFr25 at

FFr1.039. Club Med jumped FFr35 to FFr670 on unconfirmed press reports of a possible link-up

with French airline UTA. CGE, the electrical group, slipped FFr1.10 to FFr449.90 against the trend. According to brokers County NatWest WoodMac, the company has received a series of blows, including winning none of the Eurotunnel orders for rolling

stock and locomotives.
FRANKFURT closed mixed to lower after building strongly on Wednesday's year highs at the opening. The decline was not unexpected: "the market was due for a rest," said one analyst, adding that trading for the rest of the summer could be more subdued than of late. The DAX index eased 1.47 to 1,567.05 after reaching 1,572.92

NATIONAL AND

earlier. The FAZ index, which reflects midsession trading. was off 2.07 at 643.52. Turnover was active at DM5.5bn but less than the previous day's levels

The analyst attributed the market's recent rally to the emergence in West Germany of "Japanese view", where investors study companies' asset values rather than published earnings. By this reck-oning, shares of building companies and retailers, for example, look fairly cheap and have consequently attracted

buyers. rzbank fell DM7.50 to DM272 after announcing almost unchanged first half earnings. Dresdner and Deutsche Bank, both of which report next week, rose DM2.50 to DM366 and 50 pfg to DM679.50 respectively.

ZURICH rose in heavy trading, with financial stocks again leading the way upwards. The Crédit Suisse index gained 4.0 to 638.8.

CS Holding bearers

formed well, adding SFr30 to SFr2,775 after touching SFr2,840, and Union Bank added SFr20 to SFr3,910. Chemicals were mostly weaker, while food stocks

MILAN rose again, with activity focused on the banking and insurance sectors, and on blue chips. A dealer said banks had been far and away the best performing sector of the past year, a target for domestic and foreign buyers. The insurance sector

attracted interest after Royal Insurance of the UK agreed to pay L180bn (£90m) for a "small" division of La Fondiara. Generall added L925 to L44,900. The Comit index rose 8.87 to 679.76. Volume was estimated near Wednesday's

SOUTH AFRICA

CONTINUED selective demand centred on gold shares, as the bullion price rose to about \$375, and left Johannesburg firmer across the board.

WEDNESDAY JULY 25 1989

AMSTERDAM was higher on the day, with the CBS ten-dency 0.9 higher at 1925. Volume was a moderate Fl 744m. Among banks ABN, up 80 cents at Fl 46.20, extended

gains on Wednesday's acquisition of Exchange Bancorp of Chicago. NMB was Fl 3 firmer at Fl 268 amid reports that a planned merger with the Dutch state-owned Postbank was facing renewed union opposition over social aspects of the merger accord; but NMB said the merger was still on. In chemicals, Akzo put on Fl 1.40 to Fl 143.40 on high hopes

for the company's second quarter profits, due on August 3. Royal Dutch rose 20 cents to Fl 141.70 as its US unit Shell Oil reported a jump of 61 per cent in second-quarter net.

BRUSSELS saw profit-takers move in and ended off its day's

highs but the cash market index still rose 17.9 to 6.106.57. Raffinerle Tirlemontoise, the nigar refiner, eased BF130 to BFt2,650 earlier in the session. OSLO declined after poor results from Norsk Hydro, which lost NKri3.50 to NKri49 after reporting second quarter net profits more than halved. The all-share index dropped 7.48 to 506.03 in moderate turn-

STOCKHOLM was driven to a fourth consecutive record high by strong gains in car stock Volvo. The Affärsvärlden General index rose 9.7 to 1,305.9 in reasonably active trade worth SKr302m. Volvo free B shares climbed SKr7 to SKr487 in heavy trade follow-

ing newspaper reports of strong US sales. MADRID saw another day of profit-taking. The general index lost 0.87 to 300.78 in slightly higher volume esti-

mated at \$85m.

Against the trend, oil group
Repsol gained 8 percentage points to 458 per cent of par on US and European interest. Paper and printing group Ence came off 120 to 7,040 on profittaking after its recent strong rise and Wednesday's news of good first half results

TUESDAY JULY 25 1989

moto in Tokyo. The Nikkei average climbed above the all-time high reached just two days before, on Tues-day, to finish at 34,785.28, up a hefty 269.45 points.

The day's high was 34,788.02 and the low was 34,538.70. Advances led gains by 591 to 332 while 173 issues were

The Nikkei's gain was sup-ported by healthy turnover of 1.4bn shares, up from the 1.1bn traded on Wednesday. The Topix index of all listed shares moved up 19.35 to 2,605.48 and the ISE/Nikkei 50 index, traded in London, rose 1.52 to 2,076.14. The yen's strong rebound against the dollar helped to

boost confidence in the market. Investors had been concerned that the crushing defeat for the ruling Liberal Democratic Party in national elections at the beginning of the week would lead to weakness in the yen, and hence to a possible tightening of monetary policy in Japan. Yesterday, however, the dollar fell below Y139 for the first time in two weeks, assuring investors.

The spreading conviction that US monetary policy was easing, which triggered the dollar's decline, also supported buying in equities. The overnight rise on Wall Street and the start of trading for August settlement gave further

Housing-related issues kept their strength, because inves-tors expect the strength of the Japan Socialist Party to make housing an important govern-ment issue. Daiwa House and Ohbayashi, the construction company, each climbed Y60 to Y2,660 and Y1,960 respectively. Daiwa was second on the vol-umes list with 38.1m shares and Ohbayashi followed with

Electrical engineering com-panies attracted attention in the belief that more and better

Yen rebound pushes Nikkei to all-time high building of high technology buildings - would boost their Tokyo buildings - would boost their business. Kinki Electrical Con-RIDING on a wave of confin struction surged Y120 at one

dence triggered by the yen's stage to a record high of Y3,790, closing up Y80 at Y3,760. Kandenko advanced rebound against the dollar, share prices surged to another record high in buoyant trading Y120 to Y8,740. yesterday, writes Michiyo Nak-Issues that are sensitive to

interest rate fluctuations featured, on expectations that rates would move lower in the near term. Interest focused on trading companies and real estate companies. Mitsui, the large trading company, added Y40 to Y1,190 in active trading and Mitsubishi gained a strong Y60 to Y1,660. Mitsui Real Estate and Sumitomo Realty each firmed Y100 to Y2,710 and Y2,200 respectively and Mitsubishi Estate advanced Y60 to

The improvement in volume

attracted the speculators. Hattori Seiko, the maker of watches and clocks, gained Y200 to Y3,050 and Nippon Shinpan, a credit sales company, rose Y90 to a record high of Y1,650.

Interest was seen in real estates, railways and trading houses in Osaka. The OSE average rose 237.57 to 33,993.53 on volume of 141m shares.

Roundup

AN EARLY mood of optimism in the Asia Pacific region gave way to spells of profit-taking in Australia and New Zealand, while Hong Kong and Singapore remained subdued.

AUSTRALIA retreated from the day's high on sustained profit-taking in the afternoon session, but the All Ordinaries index still closed 10.5 points

reaching 1,638.0.

The main feature of the mar-

ket was record volume in options which soared to 141,000 contracts against what, said a dealer, "might be 30,000 on a

Individual share interest focused mainly on the "nifty fifty", the top 50-capitalised stocks, in which options are mainly written. News Corp rose 35 cents to A\$16.60 and BTR Nylex 18 cents to A\$5.62. National turnover was 160m shares worth A\$381m.

NEW ZEALAND rose in advance of an evening budget speech yesterday, the Barclays index moving up another 17.80 points to 1,978.08 for a gain of 40.39 points on the week. The market was hoping for a resumption of the tax deductibility of institutional pension

schemes, removed in 1988. Observers in London yesterday said that there was no mention of this point in the budget, the New Zealand dollar

barely moved, and currency dealers found it boring. HONG KONG virtually went into limbo. In thin and narrow trading, the Hang Seng index rose 4.68 points to 2,493.71, after fluctuating by less than 25 points throughout the day. However, Great Eagle, whose tender won a prime property site in the business district on Wednesday, put on another 10 cents to HK\$3.02½.

SINGAPORE was also subdued as speculative buying and bargain-hunting alternated with light profit-taking. Twodigit falls in some component stocks pushed the Straits Times Industrial index down 3.99 points to 1,366.36.

This announcement appears as a matter of record only

NEW ISSUE JUNE 1989

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FT-ACTUARIES WORLD INDICES

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Figures in parentheses show number of stocks per grouping Australia (86)	REGIONAL MARKETS _			W12/(E30A1 0021 20 1303									
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Belgium (63)	Austria (19)	127.60	+ 1.3	114.68		+0.2	1.95	126.01			127.70		
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Europe (1006)	United Kingdom (311)						4.22						
Nordic (122)	USA (553)	137.49	+1_2_	123.54	137.49	+ 1.2	3.29	135.85	123.83	135.85	137.49	11218	107.15
Nordic (122)	Europe /1006)	128.77	+1.5	115.70	120.98	+0.2	3.41	126.86	115.63	120.68	128,77	112.63	
Pacific Basin (573)					161.20	+0.7	1.76	171.14			174.42	137.95	114.36
Euro – Pacific (1679)						-0.1	0.70	178.48				160,44	
North America (677)					144.90	+0.0	1.59	157.94	143.97			141:56	
Europe Ex. UK (695) 112.46 + 1.7 101.05 109.91 + 0.6 2.79 110.62 100.83 109.91 112.48 96.30 89.29 Pacific Ex. Japan (218) 123.19 + 0.3 110.69 112.63 + 0.0 4.66 122.77 111.91 112.58 137.65 111.93 126.81 World Ex. US (1876) 159.54 + 1.3 143.36 144.41 + 0.0 1.66 157.50 143.57 144.37 162.77 141.49 139.35 World Ex. UK (2118) 150.23 + 1.3 134.96 142.35 + 0.5 1.99 148.35 135.23 141.69 150.23 136.98 126.35 World Ex. So. Al. (2369) 150.63 + 1.3 136.35 142.07 + 0.4 2.18 148.73 135.57 141.49 150.63 136.67 126.93 World Ex. Japan (1974) 134.15 + 1.3 120.54 130.41 + 0.8 3.39 132.49 120.77 129.39 134.15 114.51 108.89				124.01	136.85	+ 1.2	3.28	136.39			138.01	112.79	
Pacific Ex. Japan (218) 123.19 +0.3 110.69 112.63 +0.0 4.66 122.77 111.91 112.56 137.65 111.93 126.81 World Ex. US (1876) 159.54 +1.3 143.36 144.41 +0.0 1.66 157.50 143.57 144.37 162.77 141.49 139.35 World Ex. UK (2118) 150.23 +1.3 134.96 142.35 +0.5 1.99 148.35 135.23 141.69 150.23 136.98 126.35 World Ex. So. Al. (2389) 150.63 +1.3 135.35 142.07 +0.4 2.18 148.73 135.57 141.49 150.63 136.67 126.93 World Ex. Japan (1974) 134.15 +1.3 120.54 130.41 +0.8 3.99 132.49 120.77 129.39 134.15 114.51 108.99				101.05	109.91	+0.6	2.79	110.62	100.83	109.31	112,46	96.30	
World Ex. US (1876)	Pacific Ex. Japan (218)			110.69	112.63					112.58			
World Ex. UK (2118)				143.36	144.41		1.66		143,57	144.37			
World Ex. So. Al. (2369) 150.69 +1.3 135.35 142.07 +0.4 2.18 148.73 135.57 141.49 150.63 136.67 169.39 World Ex. Japan (1974) 134.15 +1.3 120.54 130.41 +0.8 3.39 132.49 120.77 129.39 134.15 114.51 140.59	World Ex. UK (2118)									141.69			
World Ex. Japan (1974) 134.15 +1.3 120.54 130.41 +0.8 3.39 132.49 120.77 129.39 134.15 114.51 108.19			+1.3										
100.00				120.54	130.41	8.0+	3.39	132.49	120.77	129.39	134.15	114,51	108.19
		150.60	+ 1.3	135.32	142.00	+0.4	2,19	148.72	135.56	141.43	150,60	136.68	126.89

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Constituent changes 27/1/89:Insertions:SmithKline Beecham A and SmithKline Beecham/SmithKline Beckman Units (both UK). Deletions:Hooker
Corp. (Australia), Beecham(UK) and SmithKline Beckman (US).